DO HRM PRACTICES IMPACT EMPLOYEE SATISFACTION, COMMITMENT OR RETENTION?

(EMPIRICAL STUDIES OF SRI LANKAN PUBLIC SECTOR BANKS)

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This Master Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

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Faculty of Economics and Social Sciences

Department of Business Administration

Dedication

This book is dedicated

to

My Parents, Husband, Sisters & a brother

and for

My teachers

who

always guide me

with

Love and affection

Acknowledgement

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Abstract

This study attempted to examine the impact of Human Resource Management practices on Human Resource Management outcomes in Sri Lankan public sector banks. Research on Human Resource Management practices and their outcomes such as employee satisfaction, commitment, and retention have rarely been conducted in banking industry in Sri Lanka. Data were collected on employees' perceptions about Human Resource Management practices and their outcomes through structured questionnaire. Sample consisted of 209 employees who are working in different departments of branches in two PSB in Sri Lanka. Multiple Regression, Cronbach alpha, Pearson correlation coefficient and descriptive statistics were used for various analyzes of this study. The findings of the research revealed that Human Resource Management practices are significant predictors of employee satisfaction, commitment and retention.

The results of this study revealed that bundles of HRM practices are positively related to better employee satisfaction with adjusted R^2 of 0.623 and a F-value 58.242 ($p<0.001$) .Compensation and social benefits had the strongest effect on employee satisfaction with a standardized beta of 0.655. This study found that bundles of HRM practices are also positively related to better employee commitment and compensation & social benefits ($t = 5.546$; $p = 0.000$), recruitment & selection ($t = 4.158$; $p = 0.000$), and training & development practices ($t = 3.100$; $p = 0.002$) emerged as the significant variables in explaining the variance in employee commitment. Compensation & social benefits, performance appraisal, and training & development were found to be explanatory factors having significant effect on employee retention of Sri Lankan public sector banks. Compensation and social benefits had the strongest significant effect on employee retention ($t = 3.269$; $p = 0.001$) with a standardized beta of 0.231. It is of interest to note that compensation and social benefits practice had the strongest effect on determining the employee satisfaction, commitment and retention of PSB in Sri Lanka. Findings of this study show that providing training for employees is positively related to higher employee satisfaction, employee commitment and higher employee retention**.** Results of regression analysis supported the hypotheses that performance evaluation is positively related to higher employee satisfaction, commitment and retention of public sector banks in Sri Lanka. Findings of this study do not support the hypotheses that grievances handling system of PSB in Sri Lanka is positively related to higher employee satisfaction, commitment and retention.

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Chapter 01
INTRODUCTION

1.1 Introduction for the topic

This research explores the human resource management practices and their outcomes in Sri Lankan public sector banks, as well as the impact of human resource management (HRM) practices on performance of public sector banks in Sri Lanka.

Research on HRM practices has been studied extensively among manufacturing and small & medium enterprises. These theoretical and empirical studies have generally focused on HRM practices within western organizations. Relatively few studies have been done about the impact of HRM practices on firm performance in Asian countries (Zheng, Morrison and O'Neill, 2006; Goodall &Warner, 1997, 1999; Li, 2003; Lu & Bjorkman, 1997). The HRM environment can be more important determinant of productivity in the service sector than in the manufacturing sector, given the much larger share of total production costs accounted for by employment, and the much more extensive direct contract between employees and customers, in services (Ann P. B, 2004). However, most of the prior research on HRM and organizational performance has focused on the manufacturing sector than the service sector despite the fact that today most employees work in service sector industries.

The simultaneous delivery and receipt of services in the face-to-face service sector brings employees and customers close together, blurring the boundary between the two groups (Parkington & Schneider 1979). The direct contact that exists between the employee and the customer in the service sector suggest that HRM may be even more important in the service sector than in the manufacturing sector. Banking is in the service industry and delivers its service across the counter to the ultimate customer. The activities of banking industry are all about "relationship". Hence, banking industry must strive for providing better services to the customer with a smile in order to cultivate and maintain long lasting relationship with their customers. A few scholars have studied the impact of HRM practices on performance in the banking industry. Very few researchers have addressed the HRM practices and their outcomes in public sector

banks in Sri Lanka and none study HRM practices, their outcomes and impact of HRM practices on performance of public sector banks in Sri Lanka. Therefore, this study addresses this gap in the literature in relation to banking industry in Sri Lanka.

It is now commonly accepted that employees create an important source of competitive advantage for firms (Barney, 1991). As a result, it is important that a firm adopts HRM practices that make the best use of its employees. The above trend has led to increased interest in the impact of HRM on organizational performance, and a number of studies have found a positive relationship between so called 'high performance work practices' (Huselid, 1995) and different measures of organizational performance.

The impact of HRM practices on organizational performance has emerged as the dominant research issue in the personnel/ HRM field (Becker and Gerhart, 1996; Dyer & Reeves, 1995; Guest, 1997). Empirically, most work has been done on the relationship between HRM practices and measures of firm (financial) performance or market value, and, while there is recognition of the need of studies that includes intervening variables between HRM practices and firm performance, few such studies exist (Becker and Gerhart, 1996; Becker et al, 1997; Guest, 1997).

Many researchers have pointed out that human resources management practices impact on the outcomes such as employee satisfaction, employee commitment, employee retention, employee presence, social climate between workers and management, employee involvement, employee trust, employee loyalty, organizational fairness (Edger & Geare, 2005; Paauwe & Richardson, 1997 and Storey, 1989). Some of the authors have indicated that these outcomes and HRM practices can lead to firm performance such as profits, market value of the company, market share, increase in sales, productivity, product service quality, customer satisfaction, development of products/services and future investments.

The impact of human resource management (HRM) policies and practices on firm performance is an important topic in the fields of human resource management, industrial relations, Personnel Economics, industrial and organizational psychology (Boudreau, 1991, Jones & Wright, 1992;

Kleiner, 1990). An increasing body of work contains the argument that the use of High Performance Work Practices, including comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training, can improve the knowledge, skills, and abilities of a firm's current and potential employees, increase their motivation, reduce their shirking, and enhance retention of quality employees while encouraging non-performers to leave the firm (Jones & Wright, 1992).

The HRM practices, systems or strategies have often been referred to as high involvement or high performance work practices. Lado and Wilson (1994, p.701) define a system as "a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm's human resources". Thus, a good HRM system consist of a coherent set of practices that enhance employee skills and abilities, provide information, empowerment and participation in decision making, and motivation (Applebaum *et al.*, 2000; Pfeffer, 1998).

Recent theoretical work on the resource based view of the firm (Barney, 1991) supports the notion that HRM may be an important source of competitive advantage. Barney (1991) argued that resources lead to sustainable competitive advantages when they are valuable, rare, inimitable and well organized. Without having adequate human resource, the organization will be unable to achieve established goals; hence managing human resource is the key role of success of an organization. Currently, most organizations have treated their people as the most important resource of an organization. Specially, human resources are the most important assets in the service organization than manufacturing organization and improvements have to be linked more strongly to the people issues (Boselie & Wiele, 2002). Organizations have become aware of human resources than earlier due to the accelerating trends of globalization. The previous studies have supported the notion that when appropriately designed, HR practices can help organizations to enhance their performance.

1.2 Research problem of the study

This study focus on HRM practices and their outcomes as well as the impact of HRM practices on performance of public sector banks in Sri Lanka. Relatively, there is little published research on HRM practices and their outcomes. As well as, only few studies have addressed the banking industry. None study HRM practices, their outcomes and the impact of HRM practices on performance of public sector banks in Sri Lanka. On the other hand, the impact of HRM practices on organizational performance has emerged as the dominant research issue in the HRM field. Therefore, to achieve research objectives, based on the facts mentioned above, in this study attempts to find solution for,

1. What are the outcomes of HRM practices of public sector banks in Sri Lanka?
2. How do HRM practices impact on employee satisfaction, commitment and retention?
3. How do HRM practices impact on performance of public sector banks in Sri Lanka?

1.3 Significance of the study

The impact of HRM practices on organizational performance has emerged as the dominant research issue in the HRM field. A few scholars have studied the impact of HRM practices on performance in the banking industry. Very few researchers have addressed the HRM practices and their outcomes in public sector banks in Sri Lanka and none study HRM practices, their outcomes and impact of HRM practices on performance of public sector banks in Sri Lanka. Therefore, this study addresses this gap in the literature in relation to banking industry in Sri Lanka.

This study attempts to find solution for, what are the HRM outcomes of the HRM practices of public sector banks in Sri Lanka? How do HRM practices impact employee satisfaction, commitment and retention? And how do HRM practices impact performance of public sector banks in Sri Lanka? Therefore, findings of this study will be helpful to describe that what are the HRM outcomes (such as employee motivation, employee commitment, employee retention etc.) of HRM practices of public sector banks in Sri Lanka, what HRM practices are positively related

with HR outcomes? and what HRM practices are positively related with bank performance. Hence, findings of this research will be helpful to managers to examine the success of HR practices which are currently implemented by them and to identify HRM outcomes of them. As well as, managers of banks can make necessary changes of currently used HR practices. Finally, findings of this study can be used to increase the performance of public sector banks in Sri Lanka. That is, it will contribute the economic development in Sri Lanka.

1.4 Objectives of the Study

The main objective of this study is to fill up the above mentioned gap in the literature. In accordance with the research problem, the following listed objectives are identified in addition to the main objective to achieve through this research.

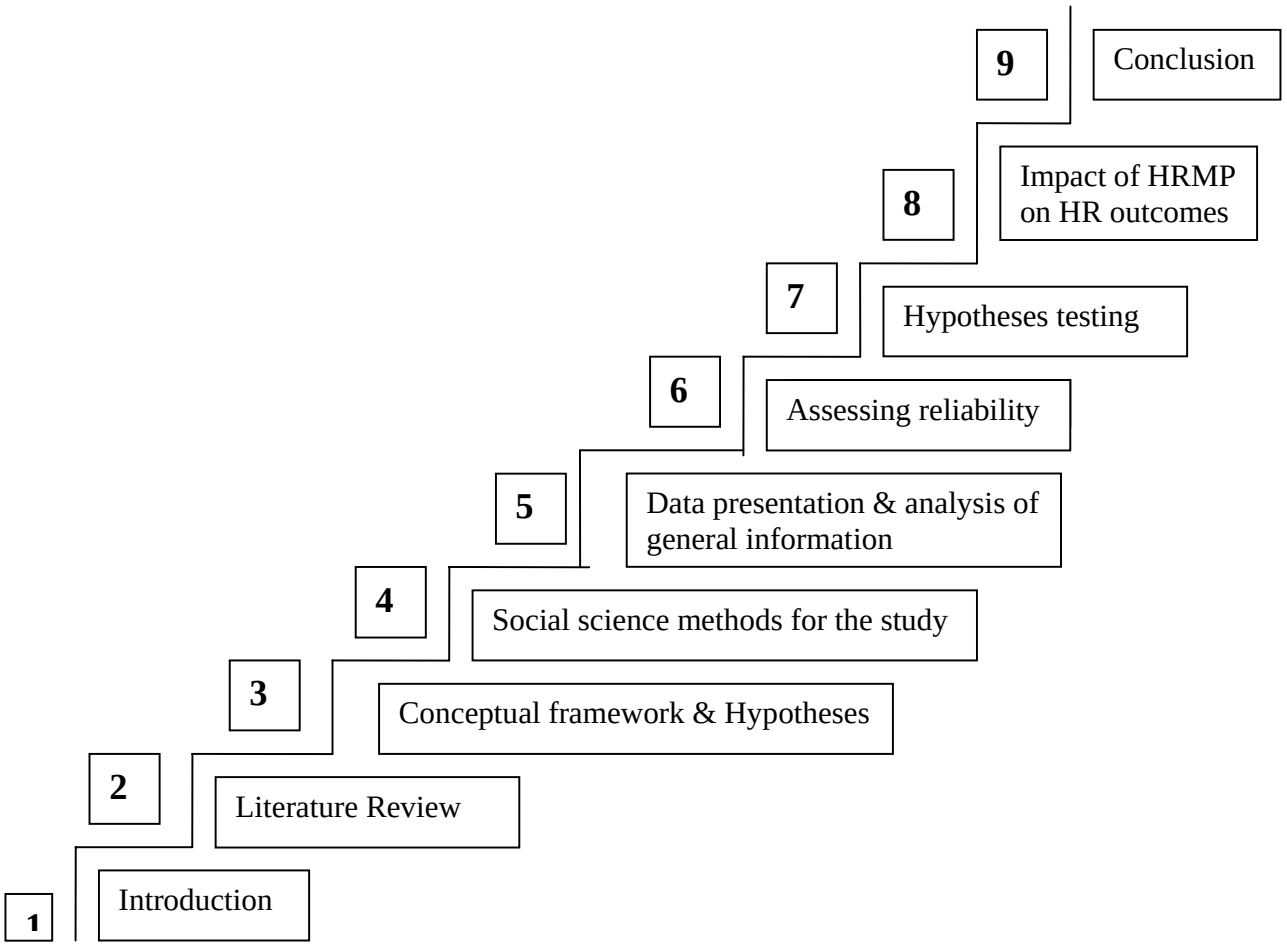
1. To identify the HRM practices those are used in public sector banks in Sri Lanka.
2. To examine the relationship between HRM practices and HR outcomes of public sector banks in Sri Lanka
3. To explore the impact of HRM practices and HRM outcomes on performance of public sector banks in Sri Lanka

1.5 Outline of the study

Chapter one has been allocated to describe the research topic, identify the research problem, significance of the study and objectives of the study. The second chapter looks at the relevant theoretical models, and the findings of empirical studies which have examined the effects of distinctive HR practices on organizational performance. Chapter three presents the conceptual framework with hypotheses of the study and chapter four presents the social science methods for the study. Chapter five includes the data presentation and analysis of general information. Chapter six describes the results of assessing reliability. Hypotheses testing using statistical techniques are included in chapter seven. The eighth chapter looks at the impact of HRM Practices on HR outcomes.

Chapter nine presents the limitation of the study and conclusion. Contents of the thesis illustrates in figure 1.1 as summary.

Figure 1:1 Contents of the Thesis



Source: Develop for the study (2009)

Chapter 2

Theoretical back ground and Literature Review

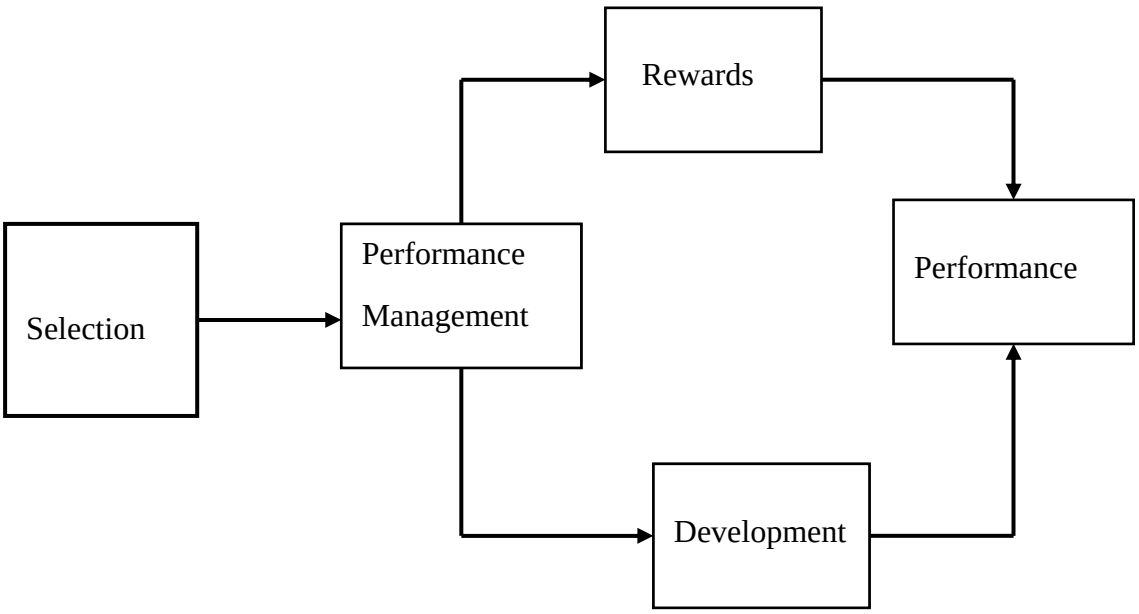
2.1 Introduction

In order to present the underlying theoretical and methodological rationale for this study, this chapter looks at the literature on HRM practices, their outcomes, impact of HRM practices on firm performance and the relationship between HRM practices, their outcomes and organizational performance. For this purpose, theories associated with impact of HRM practices on organizational performance have been explored through extensive review of books, articles and web pages.

2.2 Human Resources (HR) and Human Resource Management (HRM)

Armstrong M (2006) defines Human Resource Management (HRM) as a strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contributes to the achievement of the objectives. HRM involves all management decision and practices that directly affects the people, or human resources, who work for the organization.

Figure 2.1: The Human Resource Cycle



Source: Armstrong M. (2006), A Handbook of Human Resource Management Practice, p.6

Wright, McMahan, and McWilliams (1994) distinguished between an organization's human resources (the skilled and experienced employees) and human resources systems. They argued that an organization's human resources have a greater potential to generate value on a sustainable basis. But to create value, the human resources must exhibit high levels of skill and the willingness, motivation, and commitment to exhibit productive behaviour that are generated by the human resource practices. Thus, HRM practices elicit some behavioural outcomes in addition to the improvement of skills and abilities of employees. Barney (1991) argued that human resources can provide a source of sustained competitive advantage when four basic requirements are met, that is, through valuable, rare, inimitable and well organized human resources. As a result, it is important that a firm adopts human resource management (HRM) practices that make best use of its employees.

Pfeffer (1998, p.96) proposed that seven HRM practices: employment security, selective hiring of new personnel, self-managed teams and decentralization of decision making as the basic principles of organization design, comparatively high compensation contingent on organizational performance, extensive training, reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels, extensive sharing of financial and performance information throughout the organization are characteristic of successful organizations. Currently, organizations have been faced intensity of competition that increases day by day. Hence, managers must be on constant lookout for ways to maximize the utilization of human resources for improving organizational performance.

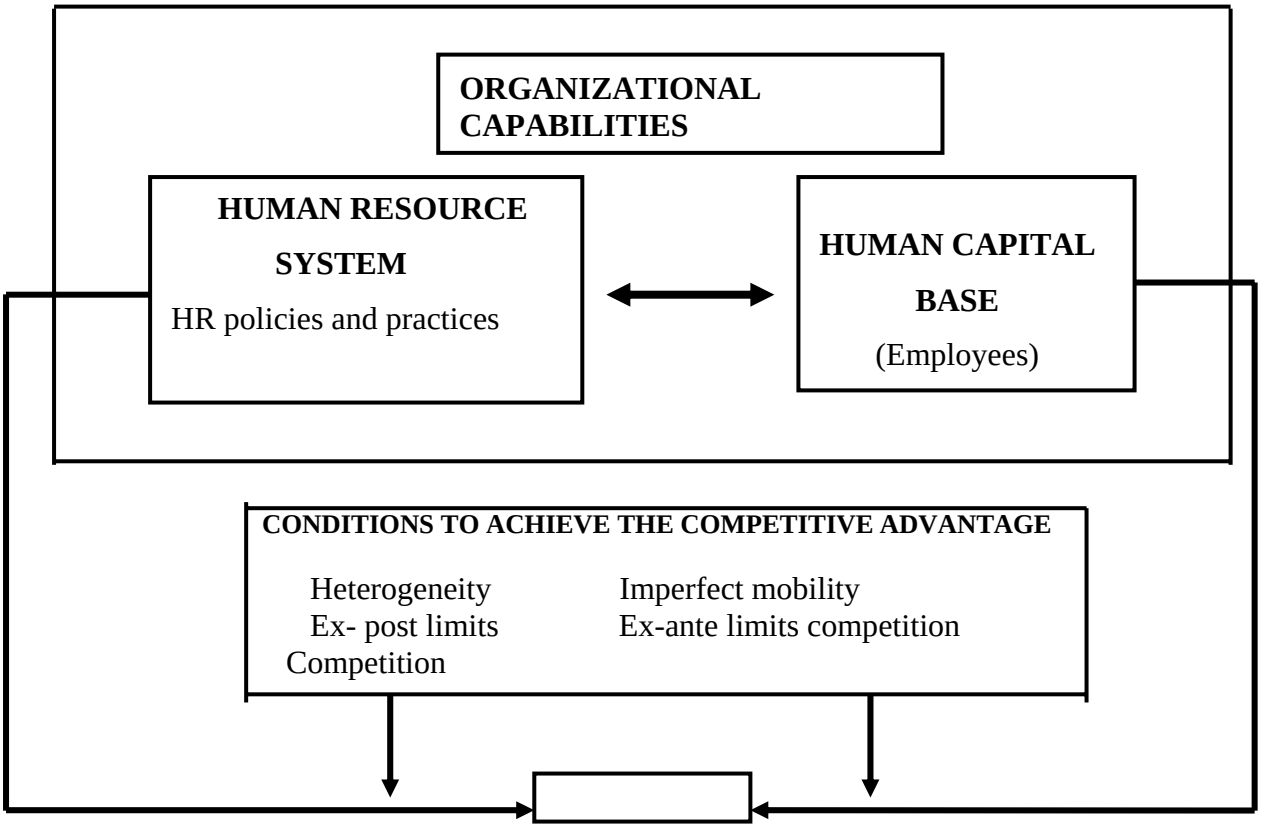
2.3 Human Resource Management System

Lado and Wilson (1994, p.701) define HRM system as "a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm's human resources." In addition, it can be defined as "… as an organizational capability which involves the strategic integration of the set of HR activities, functions and processes: selection, training, appraisal, promotion and compensation, carried out to attract, develop and maintain the strategic HR that allow the firm to achieve its goals [De Saá, 1999]" (Pérez P. D. S. and Falcón J.M.G, 2006, p.55).

Dessler (1994) categorizes HRM systems according to five activities: selection, training, compensation, labour relations and employee security. A human resource system increases organizational performance, develops and maximizes an organization's abilities (Huselid, 1995; Becker & Gerhart, 1996), and contributes to continue competitive advantage of the organization (Lado & Wilson, 1994). Thus, a good HRM system consists of a coherent set of practices that enhance employee skills and abilities, provide information, empowerment and participation in decision-making, and motivation (Pfeffer, 1998; Applebaum *et al*., 2000).

It is accepted that HRM activities may affect organizational performance either directly or indirectly through HRM outcomes. Petra & Juan (2004) proposed a model based on their main hypothesis that human resources constitute a source of competitive advantage. This model also considers that know how to establish a HR system that incorporates HR policies and practices in order to create and maintain the strategic human capital could have a sustainable competitive advantage. The model is presented in figure 2.2.

Figure 2.2 - A Strategic Model of Human Resource Management



Source: Pérez, P. D. S. and Falcón, J.M.G (2006), The Influence of Human Resource Management in Savings Bank Performance, The Service Industries Journal, p.53.

2.4 HRM Practices and Firm Performance

An analysis of prior research works on HRM has identified some immediate effects of HRM practices, known as HRM outcomes. The HR outcomes are, in turn, expected to explain some of the variance in firm performance (Becker *et l.,* 1997; Guest, 1997). Such HRM outcomes include knowledge, skill and abilities or competence (Beer et al., 1985; Schuler, 1989; Barney, 1991; Pfeffer, 1994; Lado and Wilson, 1994 Becker et al., 1997; Lengnick-Hall and Lengnick-Hall,1999; Sandberg, 2000), teamwork (Beaumont, 1993), cost effectiveness (Beer et al., 1985), motivation (Pfeffer, 1994; Schuster, 1998), organizational commitment (Beer et al., 1985; Putti et al., 1989; Beaumont, 1993; Ulrich, 1997; Storey, 1997; Yeung and Berman, 1997), behaviour (Schuler, 1989; Jackson et al., 1989; Morrison, 1996; Rucci et al., 1998), flexibility (Beaumont, 1993; Pfeffer, 1994; Storey, 1997)and customer orientation (Storey, 1997).

Empirical research studies have found a significant relationship between HRM practices and organizational outcomes such as employee turnover (Arthur, 1994; Huselid, 1995; Sivasubramanyam and Venkataratnam, 1998), productivity (MacDuffie and Krafcik, 1992; Arthur, 1994; Huselid, 1995; Youndt et al., 1996; Hoque, 1999), quality (MacDuffie and Krafcik, 1992; Hoque, 1999; Harel and Tzafrir, 1999; Khatri, 2000), sales (Lau and May, 1998; Harel and Tzafrir, 1999), profits (Huselid, 1995; Delery and Doty, 1996; Lau and May, 1998; Khatri, 2000), return on investment (Sivasubramanyam and Venkataratnam, 1998) and market value (Welbourne and Andrews, 1996; Lau and May, 1998; Becker and Huselid, 1998; Harel and Tzafrir, 1999).

"HR practices are the levers or mechanisms through which employee skills can be developed" (Park et al., 2003, p. 1394). Human resource practices are the primary means by which firms can influence and shape the skills, attitudes, and behaviour of individuals to do their work and thus achieve organizational goals (Martinsons, 1995; Collins & Clark, 2003). HR practices are designed to improve the knowledge, skills, and abilities of employees; boost their motivation; minimize or eliminate loitering on the job; and enhance the retention of valuable employees. Those practices consist of employee recruitment and selection procedures; incentive compensation and performance management policies; and extensive employee training, participation and involvement in decision-making. According to Harel and Tzafrir (1996), HRM activities can influence an organization's performance through

improvement of employees' skills and quality (selection and training) and through the increase of employee motivation (incentive compensation). HRM practices enhance organizational effectiveness and performance by attracting, identifying, and retaining employees with knowledge, skills, and abilities, and getting them to behave in a manner that will support the mission and objectives of the organization. Thus, the effectiveness of HRM practices depends on how it creates the appropriate attitudes and behaviours in employees, in addition to its implementation.

HRM practices influence employee skills through the acquisition and development of a firm's human capital. "Human capital corresponds to any stock of knowledge or characteristics the worker has (either innate or acquired) that contributes to his or her productivity" (Garibaldi P. 2006, p.154). Recruiting procedures that provide a large pool of qualified applicants will have a substantial influence over the quality and type of skills that new employees possess. Providing formal and informal training experiences, such as basic skill training, on–the-job experience, coaching, mentoring, and management development, can further influence employees' development. HRM practices can influence employee skills through the use of valid selection methods to hire appropriately skilled employees and through comprehensive training to develop current employees. Even high skilled workers will not perform effectively if they are not motivated. Managers can use HRM practices for the motivation of employees to work both harder and smarter.

The HRM practices, systems or strategies have often been referred to as high-involvement or high-performance work practices (Moses A., 2004). No one has consistently defined, or even uniformly named High Performance Work Practices HPWPs (Becker & Gerhart, 1996; Delaney & Goddard, 1997; Wood, 1999; Baker, 1999). They have been called high performance work systems, alternate work practices, and flexible work practices (Delaney & Goddard, 2001). Despite the name variances, many of these programs share common elements including rigorous recruitment and selection procedures, incentives based upon performance, and extensive training programs focused on the needs of the business (Becker et al., 1997).

The widely accepted theoretical basis for the relationship between human resource management and organizational performance is the high-performance work system

framework provided by Appelbaum et al. (2000). At the core of a high-performance work system, according to Appelbaum et al., is an organization that enables non-managerial employees to participate in substantive decisions. The high-performance work system also requires supportive human resource practices that enhance worker skills and that provide incentives for workers to use their skills and participate in decisions

Although high performance work practices (HPWPs) have often been touted as being good for both employers and employees, these practices require significant investments in human capital via training, coordination of initiatives, and time for managerial and employee input. Because of the large investment in human capital, the value of these practices may be lost if the investment is not offset by increased efficiency and effectiveness. Many researchers argued that while high performance HRM increases a company's productivity and profits (e.g.,Ichniowski, Shaw and Prennushi, 1997), the effect is even more pronounced when complementary bundles are used together (e.g., Ichiniowski et al, 1997; Hoque, 1999).

Literature demonstrates that three approaches have been used by the researchers to examine the link between HRM practices and performance. They are the contingency, configurational and universalistic approaches (Delery and Doty, 1996). The contingency approach posits that the impact of an organization's HRM practices is contingent on its consistency or fit with other activities (e.g., strategic choice, employee attitudes, type of industry, country characteristics, etc.) in the organization or its environment. From the behavioural point of view, the contingency approach asserts that there is a unique set of employee attitudes and behaviours that are required to implement an organization's strategies successfully (Truss, 2001). According to the configurational approach, HRM practices should be bundled or designed to achieve both horizontal and vertical fit to be most effective. Horizontal fit refers to the implementation of internally consistent bundles of HRM practices, while vertical fit refers to the harmony of the HRM practices with other organizational characteristics (Arthur, 1994; Delery and Doty, 1996; Khatri, 2000). Thus, the effectiveness of any HRM practice is dependent on its relationship with other HRM practices; they cannot be used as stand-alone practices (Truss, 2001). The universalistic approach argues that there is a fixed set of best HRM practices that can create value in different situational environments (e.g., cultural, economic, etc.) and that organizations facing the same conditions should adopt a similar mix of HRM practices (Pfeffer, 1994; Ichniowski and Shaw, 1999).

From theoretical and empirical perspectives, it is important to investigate the association between HRM practices and firm performance. Several models and a large body of researches have documented to explore the link between human resource management and organizational performance (Hiltrop, 1996). Most of the researchers have paid their attention to the manufacturing sector. (e.g. John P.M.,1995, Jayanth J et al, 1999). These theoretical and empirical studies have generally focused on HRM practices within Western organizations. Findings from a number of empirical studies that have been conducted to test the relationship between HRM and performance indicate that high commitment and/or high involvement HRM practices have a positive impact on firm performance (e.g. Arthur, 1994; MacDuffie, 1995; Huselid, 1995; Youndt *et al*., 1996; Koch and McGrath, 1996, Huselid, 1997; Ngo *et al*., 1998; Kaman *et al*., 2001; Bartel, 2004; Stavrou and Brewster, 2005; Wright *et al*, 2005).

Research focusing on the firm-level impact of HRM practices has become popular among researchers. (for reviews, see Appelbaum and Batt, 1994; Berg et al., 1994; Ichniowski et al., 1994; Wagner, 1994; Huselid, 1995; Kaman *et al*.,2001; Bartel, 2004; Stavrou and Brewster, 2005; and Wright *et al*, 2005). During the past 10-20 years, how HRM practices affect organizational performance has become a crucial issue .The literature includes studies that focus on the performance effects of specific HRM practices, such as training (Bartel, 1994; Knoke & Kalleberg, 1994) and information sharing (Kleiner & Bouillon, 1998; Morishima, 1991), and research that examines the influence of systems of such practices on organizational outcomes (Huselid & Becker, 1994; Ichniowski et al., 1994; Huselid, 1995; MacDuffie, 1995).

Researchers investigating relationships between HR practices and firm performance, however, they have operationlized HR practices in several different ways. For example, some researchers have examined only one HR practice(e.g. Staffing practices: Terpstra and Rozell, 1993;Nicholas, 2005, Compensation practices: Ivan *et al*, 2005, Training practices: Nguyen *et al*, 2008), while other researchers have viewed HR practices as control systems and have therefore focused on compensation, incentive and reward systems (Snell, 1992; Koch & McGrath, 1996;). Compensation, “the core of the employment relationship” (Ehrenberg and Milkovitch, 1988, p. 87), is the most intensively studied HR practice (e.g. Salter, 1973;

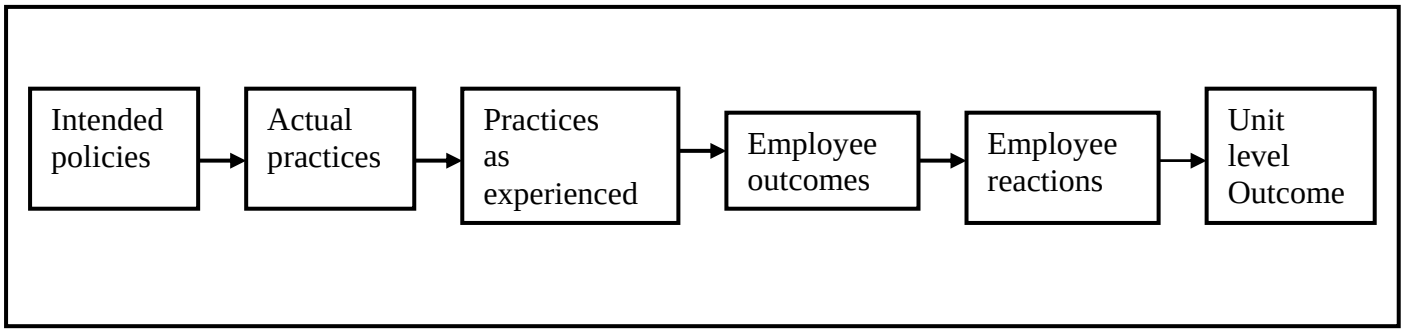
Chakravarthy and Zajac, 1984; Ehrenberg and Milkovitch, 1988; Balkan and Comez-Mejia, 1990).

However, HR practices may be interdependent. Social science literature provides some theoretical and empirical support for this expectation. Wright and McMahan (1992) argued that researchers should examine 'bundles' of HR practices and their collective effect, rather than the effect of isolated HR practices, on firm performance. As Peck (1994) noted, human resource activities are interdependent, and as a whole they generate certain outcomes for the firm. Further, a study by MacDuf (1995) provides support for such arguments as they found that bundles of HR practices were significantly related to workers' productivity and firm financial performance. Huselid's (1995) approach also involved the combination of HRM practices, combining a number of practices into 'High Performance Works Systems'. Factor analyzing 13 HRM practices he identified two factors, 'employee skills and organizational structures' and 'employee motivation'. He found that these were significantly related to turnover, organizational productivity and financial performance. Although some studies have established positive associations between consistent bundles of HRM practices and organizational performance, they have found that not all bundles have an equal impact on a firm's performance.

Several researches have studied the effect of certain individual HRM practices on firm performance (e.g. Delaney and Huselid, 1996; Koch and McGrath, 1996) or the overall use of high-performance HRM practices (Huselid, 1995; Koch and McGrath, 1996; Huselid *et al.*, 1997). Findings of these studies indicate a positive relationship between high performance HRM practices and organizational performance outcomes or financial performance/market value. However, there is no clear list of 'high-performance HRM practices' (Pfeffer, 1995; Becker and Gerhart, 1996; Guest, 1997).

Figure 2.3 shows one of the most elaborated models linking HRM and performance as proposed by Wright and Nishii (2004).

Figure 2.3: **Links between HR policy and practice, employee experiences and responses and various outcomes.**



Source: Wright, P. & Nishii, L. (2004), 'Strategic HRM and organizational behaviour: integrating multiple level analyses, Paper presented at the What Next for HRM? Conference, Rotterdam.

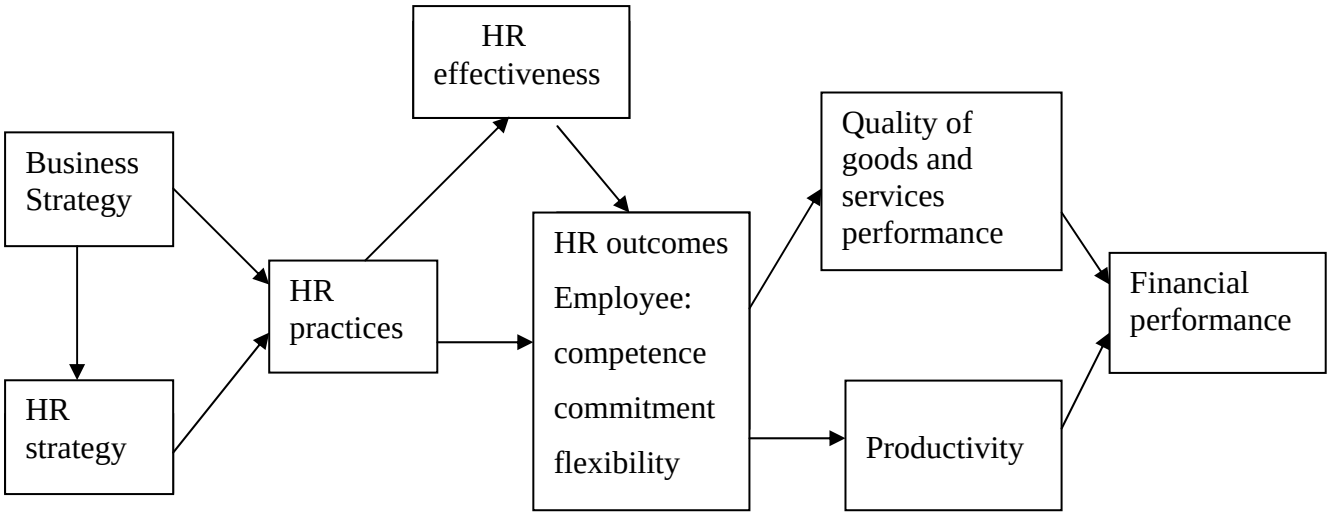
There are a number of HR practices that could be tested in connection with employee performance. Huselid (1995) used eleven HRM practices in his study which are personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labor management participation, recruitment efforts, employee training and promotion criteria. Teseema & Soeters (2006) have studied eight HR practices and their relationship with perceived employee performance. These eight practices include recruitment and selection practices, placement practices, training practices, compensation practices, employee performance evaluation practices, promotion practices, grievance procedure and pension or social security.

A number of studies have shown similar positive relationships between HR practices and various measures of firm performance. For instance, MacDuffie (1995) found that "bundles" of HR practices were related to productivity and quality in his sample of worldwide auto assembly plants. Moreover, a developing body of research has reported positive associations between firm-level measures of HRM systems and organizational performance (Cutcher-Gershenfeld, 1991; Arthur, 1994; Huselid & Becker, 1994; Ichniowski, Shaw, & Prennushi, 1994; Huselid, 1995; MacDuffie, 1995). Delery and Doty (1996) found significant relationships between HR practices and the reported accounting profits among a sample of banks. Youndt, Snell, Dean, and Lepak (1996) found that among their sample of manufacturing firms, certain combinations of HR practices were related to operational performance indicators. Recently, Guthrie (2001) found that their HR practices were related

to turnover and profitability. Paul A.K and Anantharaman R. N (2003) have found that not even a single HRM practice has direct causal connection with organizational financial performance. At the same time, it has been found that each and every HRM practice under study has an indirect influence on the operational and financial performance of the organization. HRM practices such as extensive training, employee development, compensation systems, rigorous recruitment and selection processes, have been found to have a positive relationship with firm performance (Terpstra and Rozell, 1993; Bartel, 1994; Chiu et al., 2002). Further, HRM practices such as training, job design, compensation and incentives directly affect the operational performance parameters, viz., employee retention, employee productivity, product quality, speed of delivery and operating cost. More recently, A number of researchers have reported that HR practices are positively linked with organizational and employee performance (e.g. Guest, 2002; Harley, 2002; Gould-Williams, 2003; Park et al., 2003; Wright et al., 2003; Tessema and Soeters, 2006).

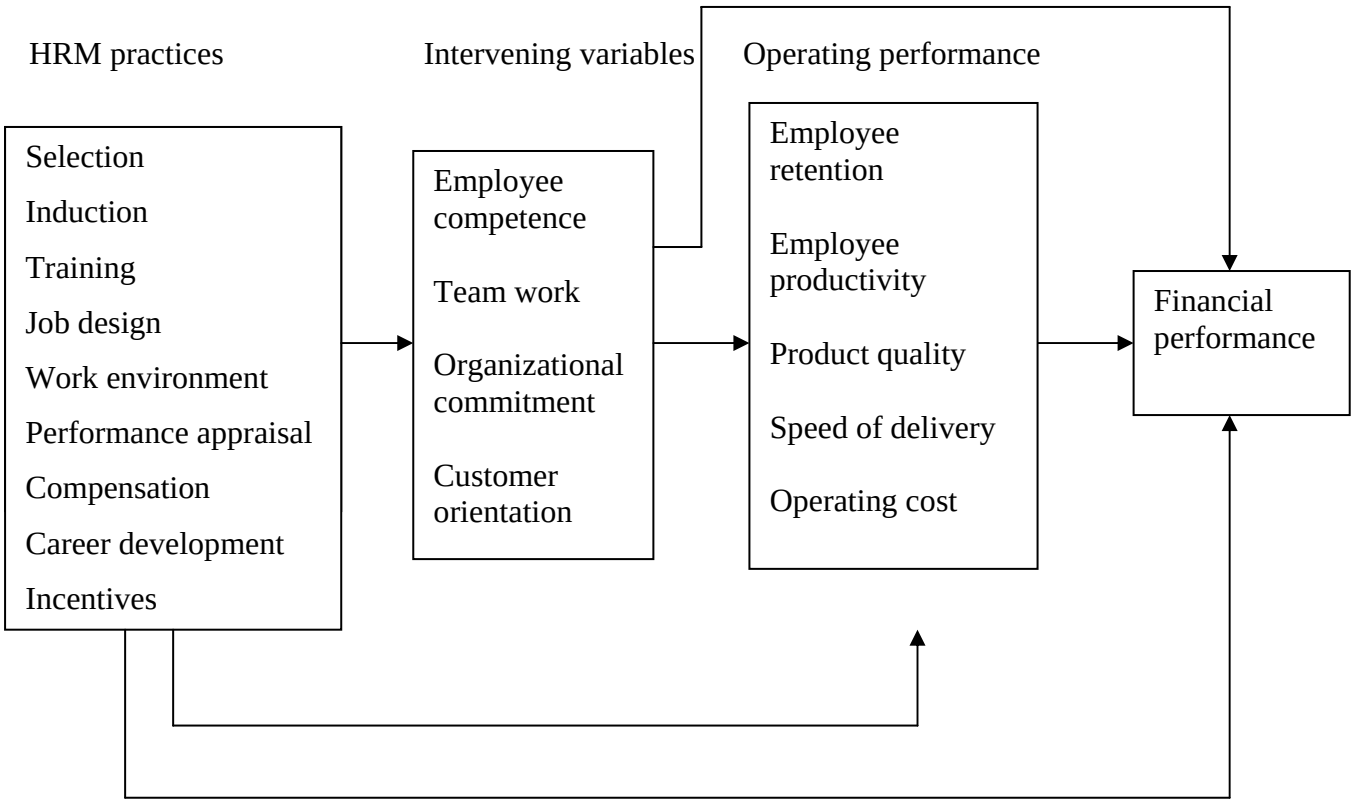
The three figures 2.4, 2.5 and 2.6 demonstrate the relationship between HRM practices, HRM outcomes and financial performance.

Figure 2.4: Model of the link between HRM and performance



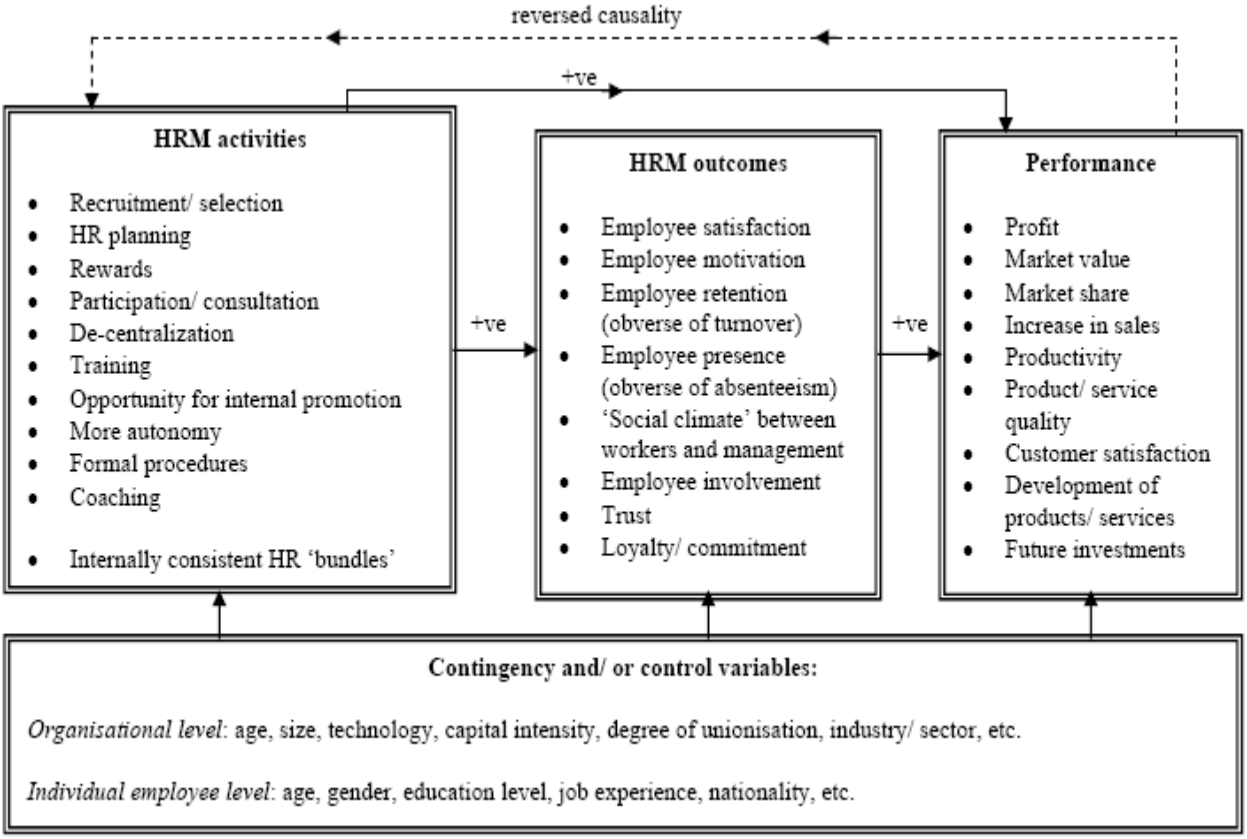
Source: Guest *et al.*, (2000b), People management and business performance, p.5

Figure 2.5: HRM - performance linkage model



Source: Paul A. K and Anantharaman R. N (2003), Impact of people management practices on organizational performance: analysis of a causal model, International Journal of Human Resource management, Vol.14, p.1249

Figure: 2.6: HRM activities, HRM outcomes and performance (Paauwe and Richardson, 1997)



Source: Boselie, P., Dietz, G., Boon, C. (2005), "Commonalities and contradictions in HRM and performance research", Human Resource Management Journal, Vol. 15, p.2

Zheng, Morrison, and O'Neill (2006) have done an empirical study of high performance HRM practices in Chinese SMEs. For the purposes of this research, five well known models that explicitly focus on the linkage between HRM and organizational performance were selected for comparison and use. They classify HRM practices and outcomes, and indicate the relatedness between practices, outcomes and performance.A summary of key ideas drawn from these five models is presented in Table 2.1.

Table 2.1: Theoretical models of HRM

Authors/models	*HRM practice variables*	*HRM outcome variables*	*Performance indicators*
Beer *et al.* (1984)	Broadly defined as four HRM policy choices: • employee influence • HRM flow • reward systems • work system	Specifically identified as: • commitment • competence • congruence • cost effectiveness	Broadly defined as organizational effectivene individual and social well-being
Devanna *et al.* (1984)	Specifically examined four areas of HRM practices: • selection • rewards • appraisal • development	No indicators in this respect	Broadly defined as performance
Guest (1987)	Specially examined HRM polices on • job design • recruitment/selection • appraisal • training and development • reward systems • communication • manpower flows • change management	Specifically defined as • integration • commitment • flexibility • adaptability • quality	Specifically defined as • high job performance • high problem-solving skills • high cost-effectiveness • low absence • low staff turnover • low grievance
Schuler and Huber (1993); Schuler (1997)	Specifically defined HRM activities: • job analysis and HRM planning • recruitment and selection • appraisal • compensation	No specific indicators in this respect	General • attract, retain, motivate Specific • productivity, quality of work life, legal compliance, gaining competitive advanta workforce flexibility
	• training and individual and organizational development • safety and health • union–management relationships		Bottom line • survival, competitiveness, growth, profitability, adaptability
Guest (1997)	Specifically HRM practices cover: • selection • training • appraisal • rewards • job design • involvement • status and security	Specifically defined as: • employee commitment • quality • flexibility	Specifically defined as • high productivity • high quality • high innovation • low absence • low labour turnover • low conflict • less customer complaints

Source: Zheng, C., Morrison, M., and O'Neill, G. (2006), "An empirical study of high performance HRM practices in Chinese SMEs", International Journal of Human Resource Management, p. 1774- 1775.

2.5 Results of Empirical studies of HRM and performance

The results from a number of empirical studies that show the impact of a 'bundle' of HRM practices on organizational performance are summarized in table 2.2.

Table 2.2: A summary of empirical studies on the effects of a 'bundle' of HRM practices on performance

Authors	*HRM practices*	*HRM outcomes*	*Performance indicators*	*Size of firms selec for study*
Arthur (1994)	• Decentralized decision-making • Employee participation programme • General training • Skill level, supervision • Due process • Social activities • Wage level • Benefits and bonus	■ Control system ■ Commitment system	✔ Employee turnover ✔ Scrap rate ✔ Labour hours	30 American steel minimills
McDuffie (1995)	• Hiring criteria • Contingent compensation • Status differentiation • Training	No outcome indicators	✔ Labour productivity (the hours of actual working effort required to build a vehicle) ✔ Quality (the number of defects per 100 vehicles)	62 international la automobile manufacturing plants
Huselid (1995)	• Selection with employment test prior to hiring • Selection for non-entry level jobs • Performance appraisal as determinant for compensation • Formal performance appraisal received by the workforce • Incentive compensation	■ Employee turnover ■ Productivity ■ Employment skills and organizational structure ■ Employee motivation	✔ Accounting profits (GRATE and price–cost margin) ✔ Economic profits (logarithm of Tobin's q and total shareholder return)	495 American firr with over 100 employees

	• Job design • Grievance procedures • Information sharing • Attitude survey and assessment • Labour–management participation • Intensity of the firm's recruiting efforts (selection ratio) • Average number of hours of training per employee per year • Promotion criteria (seniority versus merit)			
Delaney and Huselid (1996)	• Selectivity in hiring • Employee training • Incentive compensation • Grievance procedures • Job or work structure • Internal labour market for employee promotions • Provision of employment security • Vertical hierarchy	No indicators of outcomes	✓ Perceived organizational performance: product quality, customer satisfaction, staff retention and new product development ✓ Perceived market performance: profitability and market share	727 US organizations
Youndt *et al.* (1996)	• Staffing • Training • Performance appraisal • Compensation	■ Administrative HR system ■ Human-capital-enhancing HR system	✓ Machine efficiency ✓ Customer alignment ✓ Employee productivity	97 US manufacturing plants
Lähteenmäki *et al.* (1998)	• HR planning span • HR development span • Relative proportion of HRM investment • Evaluation of the significant of HRM investment • Estimates of importance of management involvement in HRM • Career planning • Organizational status of the person in charge of HRM • Strategic role of HR as evaluated by HR manager • Integration of personnel policies with competitive strategy • HRM awareness • HRM goals		Three perceptual performance indicators: ✓ Change of business results in past three years ✓ Forecast business results for the next three years ✓ Estimated changes in market share	4

Ngo *et al.* (1998)	25 items of HRM practices factored into four categories: • Structural training and development • Retention-oriented compensation • Seniority-based compensation • Diversity	■ Employees satisfaction ■ Employees retention (inherent as HR outcomes) ■ Employee retention (measured by annual turnover)	Perceptual firm performance in the areas of ✓ Sales ✓ Net profit ✓ Development of new products/services ✓ Productivity (calculated by log of sales per employee)	332 Ho multi comp 164 Ne comp more empl
Guthrie (2001)	High-involvement work practices including: • Internal promotions and performance-versus seniority-based promotions • Skill-based pay, group-based (gainsharing, profit-sharing) pay, and employee stock ownership • Employee participatory programmes, information sharing, attitude surveys and teams • Cross-training or cross-utilization, and training focused on future • Skill requirement • Average annual training hours • Use of formal dispute resolution			
Chang and Chen (2002)	• Training and development • Teamwork • Benefits • Human resource planning • Performance appraisal • Employment security	■ Employee turnover	Employee productivity	62
Stavrou and Brewster (2005)	• Training and career development bundle • Pay for performance bundle (incl. profit sharing, merit-pay, share-options, group bonuses) • Wider-jobs bundle • Joint HR–management bundle • Communication on organization of work bundle	■ No HR outcome Indicators	Business performance measured using a composite of ✓ Profitability ✓ Productivity and ✓ Service quality	3,

Source: Zheng, C., Morrison, M., and O'Neill, G. (2006), "An empirical study of high performance HRM practices in Chinese SMEs", International Journal of Human Resource Management, p. 1778- 1782.

Delery and Doty (1996) conducted a survey of senior human resource executives in U.S. banks in order to obtain information on the human resource policies used by the banks for their loan officers. Berger and Mester's (1997) findings suggest that managerial ability may play an important role in explaining bank performance. While the ability of the bank's managers at the firm or headquarters level can certainly impact the bank's performance, much of a bank's activities occur at the branch level.

2.6 Outcomes of previous empirical studies

The empirical literature demonstrates that a large number of studies have been carried out on relationship between HRM and firm performance. Findings of those researches are summarized in the table 2.3.

Table 2.3: Outcomes of previous researches

Researcher(s)	**Outcomes**
Arthur (1990, 1992, 1994)	Firms with a high commitment strategy had significantly higher levels of both productivity and quality than those with a control strategy.
Huselid (1995)	Productivity is influenced by employee motivation; financial performance is influenced by employee skills, motivation and organizational structures.
Patterson *et al* (1997)	HR practices explained significant variations in profitability and productivity (19% and 18% respectively). Two HR practices were particularly significant: (1) the acquisition and development of employee skills and (2) job design including flexibility, responsibility, variety and the use of formal teams.
Becker *et al* (1997)	High performance systems make an impact as long as they are embedded in the management infrastructure.
Thompson (1998)	The number of HR practices and the proportion of the work force covered appeared to be the key differentiating factor between more and less successful firms.
The Workplace employee relations	A strong association exists between HRM and both employee

survey (as analysed by Guest *et al* 2000a)	attitudes and workplace performance.
The future of Work survey, (2000b)	A greater use of HR practice is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services.
Purcell *et al* (2003)	The most successful companies had what the researchers called 'the big idea'. The companies had a clear vision and a set of integrated values which were embedded, enduring, collective, measured and managed. They were concerned with sustaining performance and flexibility. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance. Policy and practice implementation (not the number of HR practices adopted) is the vital ingredient in linking people management to business performance and this is primarily the task of line managers.
Paul A.K and Anantharaman (2003)	Not even a single HRM practice has direct causal connection with organizational financial performance. Used 9 HR practices and each and every HRM practice has an indirect influence on the operational and financial performance.

A study conducted on 101 foreign firms operating in Russia, has provided some support for the use of HRM outcomes as a meditating variable between HRM practices and firm performance (Fey et al., 2000). In this study, Fey et al (2000) have found that non technical training and high salaries have a positive impact on HR outcomes for managers while job security is the most important predictor of HR outcomes for non- managerial employees. Furthermore, this study provides support for the importance of including both managers and non-managers in the same study, but treating them separately. This study also identified a direct positive relationship between managerial promotions based on merit and firm performance for managers and between job security and performance for non- managers. Figure 2.7 presents the effects of HRM practices on HRM outcomes and firm performance.

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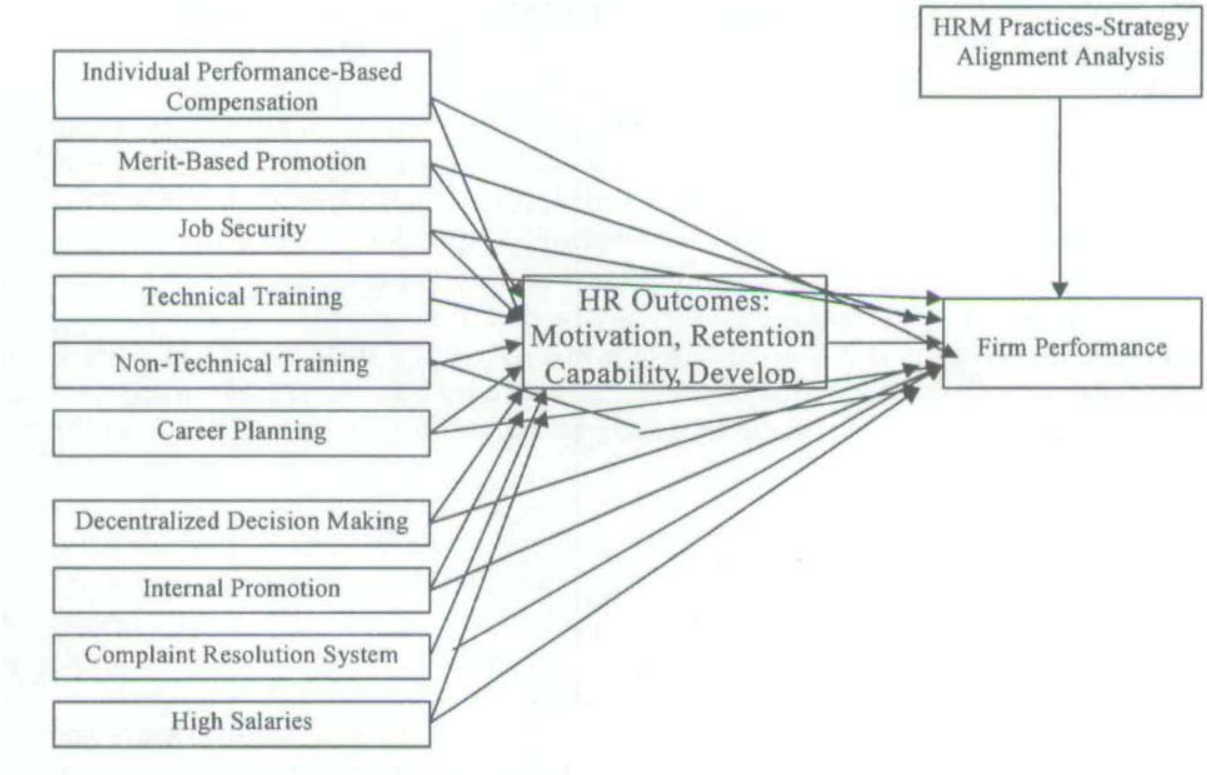
Figure 2.7: **Effects of HRM practices on HRM outcomes and firm performance.**



Source: Fey et al., (1999), The effect of human resource management practices on firm performance in Russia, International Journal of Human Resource Management 11:1, p. 18

2.6.1 Training & Development

Training can be treated as an investment in organizational human assets. In addition, "…training is seen as a useful means of with changes fostered by technological innovation, market competition, organizational structuring, and demographic shifts (Knoke and kalleberg, 1994, cited by Sandra K.K *et al*,). Training and development encompasses three main activities: training, education, and development. Firms that offer training and employee development are making a visible investment in employees. Among its positive outcomes, this investment increases employability for the individual employee(Waterman et al., 1994).

In a rapidly changing global market place, characterized by increased technological advancement, organizations demand a more flexible and competent workforce to be adaptive and to remain competitive. Thus, demand for a well qualified workforce becomes a strategic objective. The human resource training and development (T&D) system of an organization is

a key mechanism in ensuring the knowledge, skills, and attitudes that are necessary to achieve organizational goals and create competitive advantage (Peteraf, 1993). Employees invest in human capital after the start of employment, and normally this investment is called training, provided either by the firm itself on the job, or acquired by the worker (and the firm) through vocational training. Economists typically distinguish between two types of training:

> **Firm – specific training:** "This provides a worker with firm specific skills, or skills that will increase her or his productivity only with the current employer" (Garibaldi P., 2006, p.156).
>
> **General training: "**This type of training will contribute to the worker's general human capital, increasing his or her productivity with a range of employers" **(**Gary Becker, 1964)

However, general training and development may increase organizational risk, because, after having training, employees may decide to leave the organization to find a better job in another organization.

It can be expected that firm investments in both technical and non technical training will have a positive impact on the extent to which the firm actually succeeds in developing the skills/knowledge of its employees. Training was included as a high-performance HRM practice in, among others, Huselid (1995), MacDuffie (1995) and Koch and McGrath (1996). Firms with superior training programmes may also experience lower staff turnover than companies that neglect staff development. In firms with good technical and non-technical training programmes, employees are likely to realize that their market value develops more favorably than in other firms. Therefore, it is in their own interest to remain longer in the firm

In the field of human resource management, training and development is the field concerned with organizational activity aimed at bettering the performance of individuals and groups in organizational settings. HRM practices influence employee skills through the acquisition and development of a firm's human capital (Huselid M.A., 1995). Organizations can adopt various HRM practices to enhance employee skills (Delaney & Huselid, 1996). First, such practices can be used for improving the quality of the individuals hired, or raising the skills and abilities of current employees or for both. Second, organizations can improve the quality

of current employees by providing comprehensive training and development activities after selection of workers. Evidences from the previous research suggest that investments in training produce beneficial organizational outcomes (Russell et al, 1985; Bartel, 1994; Knoke & Kalleberg, 1994).

A substantial body of research has been developed that investigated the impact of training on firm performance. For instance, considerable evidence suggests that firm investments in training result in better organizational performance (Russel et al.,1985; Bartel,1994; Kalleberg and Moody, 1994). Generally, a positive relationship has been established between employee training and development and organizational performance (see: Delaney and Huselid, 1996; Koch and McGrath, 1996). Firms with superior training programmes are likely to experience lower staff turnover than companies that neglect staff development (Arthur, 1994; Fey et al., 1999). Also, more investment in training and employee development is positively related to organizational effectiveness, increased productivity and reduces employees' intent to leave the organization (Harel and Tzafrir, 1996; Lee and Bruvold, 2003; Arago´n-Sa´nchez et al., 2003).

A number of studies have looked at the effect of training on productivity, and they have found positive relationship between training and productivity of an organization (Bartel, 1994). Previous studies have found the relationship between various training & development practices and different measures of organizational performance (e.g., Delery and Doty, 1996; Becker and Huselid, 1998).

2.6.2 Motivation

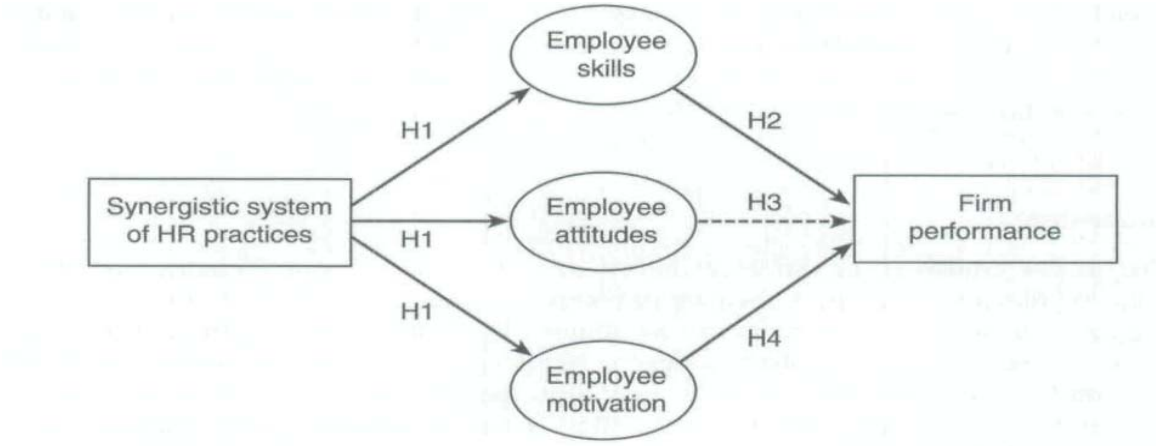
Abraham Maslow who is a famous psychologist, talked about five hierarchical levels of needs i.e., physiological, safety and security, recognition, self-esteem, and self-actualization. According to him lower level needs must be met before higher level needs. Motivation theory examines the process of motivation. It describes what organizations can do to encourage employees to exercise their maximum efforts and abilities for the achievement of an organization's goals as well as satisfying their own needs.

Job satisfaction deals with how people feel (satisfied or dissatisfied) about different aspects of their jobs. Factors associated with the job, such as the organization, and policies and procedures, can positively influence job satisfaction while organizational constraints that interfere with job performance such as task preparation (whether or not the employee has the skills necessary for the job) can negatively influence job satisfaction.

The form and structure of an organization's HRM system can affect employee motivation levels in several ways (Delaney & Huselid, 1996). Incentive compensation systems that provide rewards to employees can be used by organizations for meeting specific goals. Considerable prior research has focused on the impact of incentive compensation and firm performance management systems on firm performance (Gerhart & Milkovich, 1992). Additionally, formal grievance procedure may also motivate employees to work harder because they can expect their efforts to be fairly rewarded (Ichniowski, 1986; Ichniowski et al., 1994). Company-internal promotions based on merit rather than seniority may also enhance employee motivation and employee retention (Guest, 1997).

Huselid (1995) found that motivational high performance work systems decreased turnover and increased productivity and sales. The Performance-oriented practices tie rewards to performance so that employees are encouraged to engage in behaviours that align with the interests of the organization. "HR practices are the means through which firms seek to motivate employees to engage in the discretionary behaviours that contribute to the achievement of firm goals. Firms may influence employee motivation by implementing practices which place an emphasis on investment in human resources, such as through training programmes which allow firms to communicate proper behaviours to employees and to socialize employees into the cultures and norms of the organization" (Wright el al.. 1999: p. 533).

Figure 2.8: HR practices and Firm performance including employee skills, attitudes and motivation as intervening variables



Source: Park *et al.,* (2003) "The effect of human resource management practices on Japanese MNC subsidiary performance: a partial mediating model", p.1402

2.6.3 Recruitment & selection

The process of staffing employees in the organization consists of finding, evaluating, and assigning people to work (Harel and Tzafrir, 1996). Terpstra and Rozell (1993) found a significant and positive link between the extensiveness of recruiting, selection test validation, and the use of formal selection procedures and firm profits. HRM activities involved in getting the right person on the right place (employee skills and organizational structure) contribute to higher productivity (Huselid, 1995). In addition, research has shown that implementing an effective staffing process (selectivity in staffing) is positively related with organizational performance (Delany and Huselid, 1996). Koch and McGrath (1996) also found that sophisticated recruitment and selection procedures are positively related to labour productivity.

2.6.4 Compensation

Compensation systems that organizations offer to the employees play a key role in increasing employee motivation (Milgrom and Roberts, 1992, p.388), performance and productivity. Hence, most of the organizations are very much concerned about establishing and maintaining the optimal compensation systems. According to expectancy theory (Vroom, 1964), when pay is tied to some measure of individual or group performance, employees are more likely to work harder to increase the individual's, the group's or the organization's

performance and an increase in performance in any of these areas will lead to an overall improvement in firm performance. Based on expectancy theory (Vroom, 1964), it can be expected that, if the company provides rewards desired by the employee in question, this employee is more likely to perform in a way that will bring him/her the reward. “Choosing an appropriate compensation mechanism is probably the core problem of human resource managers, and represents the heart of personnel economics” (Garibaldi P, 2006, p.82). Further he stated that compensation packages must be consistent with profit maximization on the part of firms, but they should also provide workers with the incentives to do as well as possible.

Garibaldi P. (2006, p.85-86) has introduced three types of compensation schemes: Purely input based scheme, Bonus scheme and Franchising scheme.

Purely input based scheme: This scheme specifies a fixed payment per unit of time independently of the output produced and sold.

Bonus scheme: This scheme is made up of a fixed component plus a variable bonus, which is proportional to output.

Franchising scheme: In this case all extra income is given to the worker, so that he becomes a residual claimant of the project.

Several studies have been developed that examined the impact of compensation on firm performance and found that an advanced compensation system can be a potential source of achieving competitive advantage (Gomez-Mejia and Wellbourne, 1988; Gerhart and Milkovich, 1992). In addition, incentive compensation has a positive impact upon organizational performance, lowers employee turnover and increases sales growth (Arthur, 1994; Delaney and Huselid, 1996; Batt, 2002). Delaney and Huselid (1996) find that a compensation system based on excellence results in increased employee performance.

Most studies have included performance-based compensation as one of the high-performance HRM practices (e.g. Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Delery and Doty, 1996), and Delery and Doty (1996) even identified performance-based compensation as the single strongest predictor of firm performance. High performance work practices (including compensation) have a statistically significant relationship with employee outcomes and

corporate financial performance (Huselid, 1995). Empirical studies of the relationship between performance-related pay and company performance have generally found a positive relationship. Studies of the market reaction to the adoption of incentive plans have also reported positive stock-market reactions (see: Rajagopalan, 1997). Employee motivation is arguably a crucial intermediate variable between a performance-based compensation system and firm performance. In studies related to compensation, Park, Ofori-Dankwa, & Bishop, (1994) and Trevor, Barry, & Boudreau (1997) found that salary growth had a pronounced effect on turnover. Particularly, salary growth effects on turnover were greatest for high performers, that is, high salary growth significantly reduced turnover for high performing employees. Abassi and Hollman (2000) in their study have identified lack of recognition and lack of competitive compensation systems as reasons for employee turnover in the organization. A significant and positive correlation has been reported between compensation practices and perceived employee performance by Teseema & Soeters (2006). On the basis of above mentioned literature and arguments it can be safely assumed that compensation practices are correlated with the performance of employees.

2.6.5 Performance Evaluation Practices

"Performance appraisal represents, in part, a formalized process of worker monitoring and is intended to be a management tool to improve the performance and productivity of workers" (Shahzad, Bashir and Ramay, 2008, p.304). Performance appraisal, the process of observing and evaluating employees' performance and providing feedback, is a potentially important method for developing an effective workforce. Performance appraisal is also used as mechanism for improving employee performance. It is widely recognized as the primary human resource management intervention for providing feedback to individuals on their work-related achievements (Waddell *et al*., 2000). Performance appraisal can be used as an aid in making decisions pertaining to promotion, demotion, retention, transfer, and pay. It is also employed as a developmental guide for training needs assessment and employee feedback. Employee commitment and productivity can be improved with performance appraisal systems (Brown and Benson, 2003).

2.6.6 Promotion Practices

Miller and Wheeler (1992) found that the lack of meaningful work and opportunities for promotion significantly affected employees' intentions to leave an organization. Organizations were able to improve their employees' retention rate by adopting job enrichment programs and enhancing their advancement opportunities. Besides promotion opportunities, the evaluation criteria used in the promotion and reward system also had significant effects on employees' turnover intentions (Quarles, 1994). Ineffective performance appraisal and planning systems contributed to employees' perceptions of unfairness and they were more likely to consider leaving the organization (Dailey and Kirk, 1992).

Internal promotion**;** the availability of career possibilities within the firm tends to promote a higher degree of organizational commitment among employees (Guest, 1997) who perceive career possibilities with the firm. Additionally, an emphasis on internal promotion is likely to provide a sense of fairness and justice among the employees who note that organizational tenure is valued in the company (Pfeffer, 1995). Teseema & Soeters (2006) found a significant and positive correlation between promotion practices and perceived employee performance, however HR outcomes were used as mediating variables.

2.7.7 Organizational Commitment

Organizational commitment is defined in terms of the strength of an individual's identification with and involvement in a particular organization (Porter el al., 1974). When commitment is high, it means that an employee's values are aligned with the organization and that he or she wants to do what is best for the organization (Mowday *et al.*, 1982). Robins S.P. (2005, p.79) defined organizational commitment as "a state in which an employee identifies with a particular organization and its goals, and wishes to maintain membership in the organization". Further, he compares and contrasts job involvement and organizational commitment. High job involvement refers to identifying with one's specific job, while high organizational commitment means identifying with one's employing organization.

Malcolm *et al*., (2007) investigated the impact of people management practices on business performance. Figure 2.9 and 2.10 show which particular HRM factors predict change in

company profitability and productivity. They have found that acquisition and development of skills and job design are significant predictors of both changes in profitability and change in productivity.

Figure 2.9 HRM factors predicting change in profits

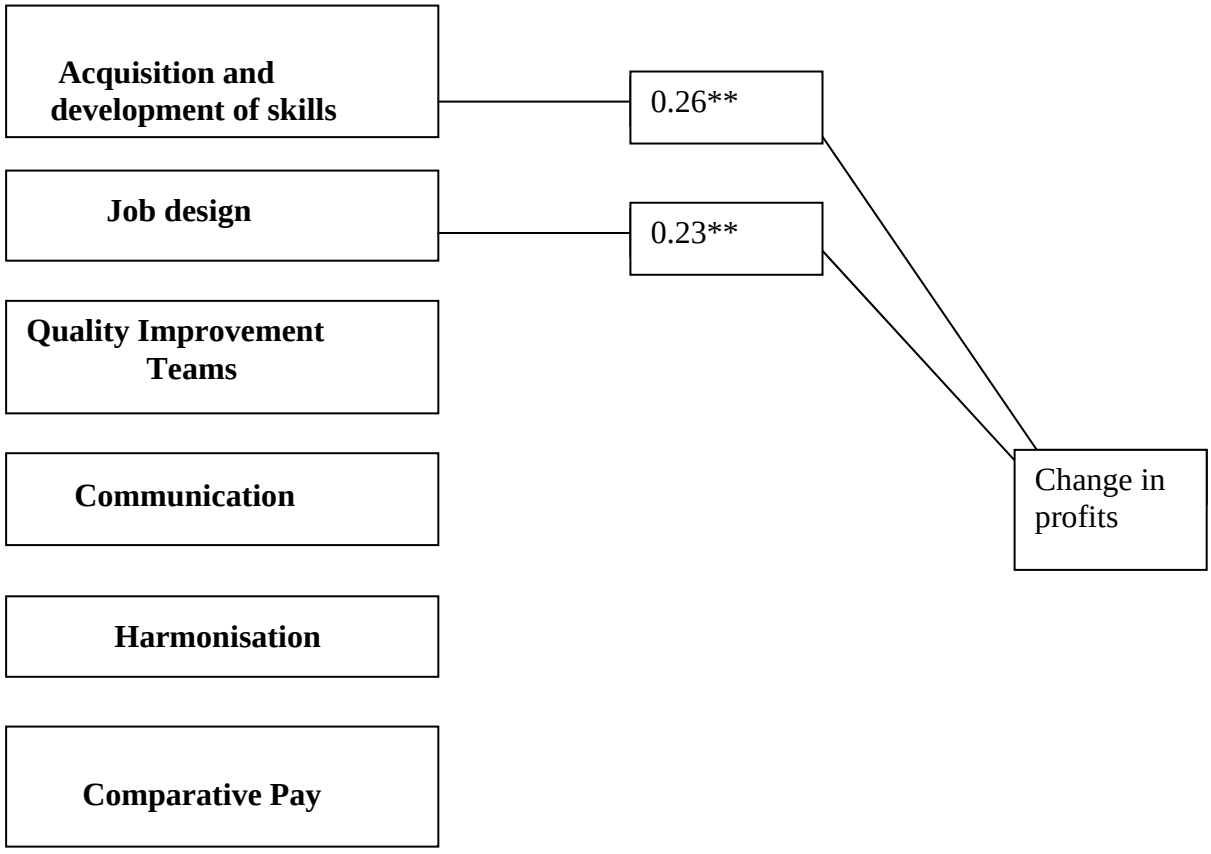
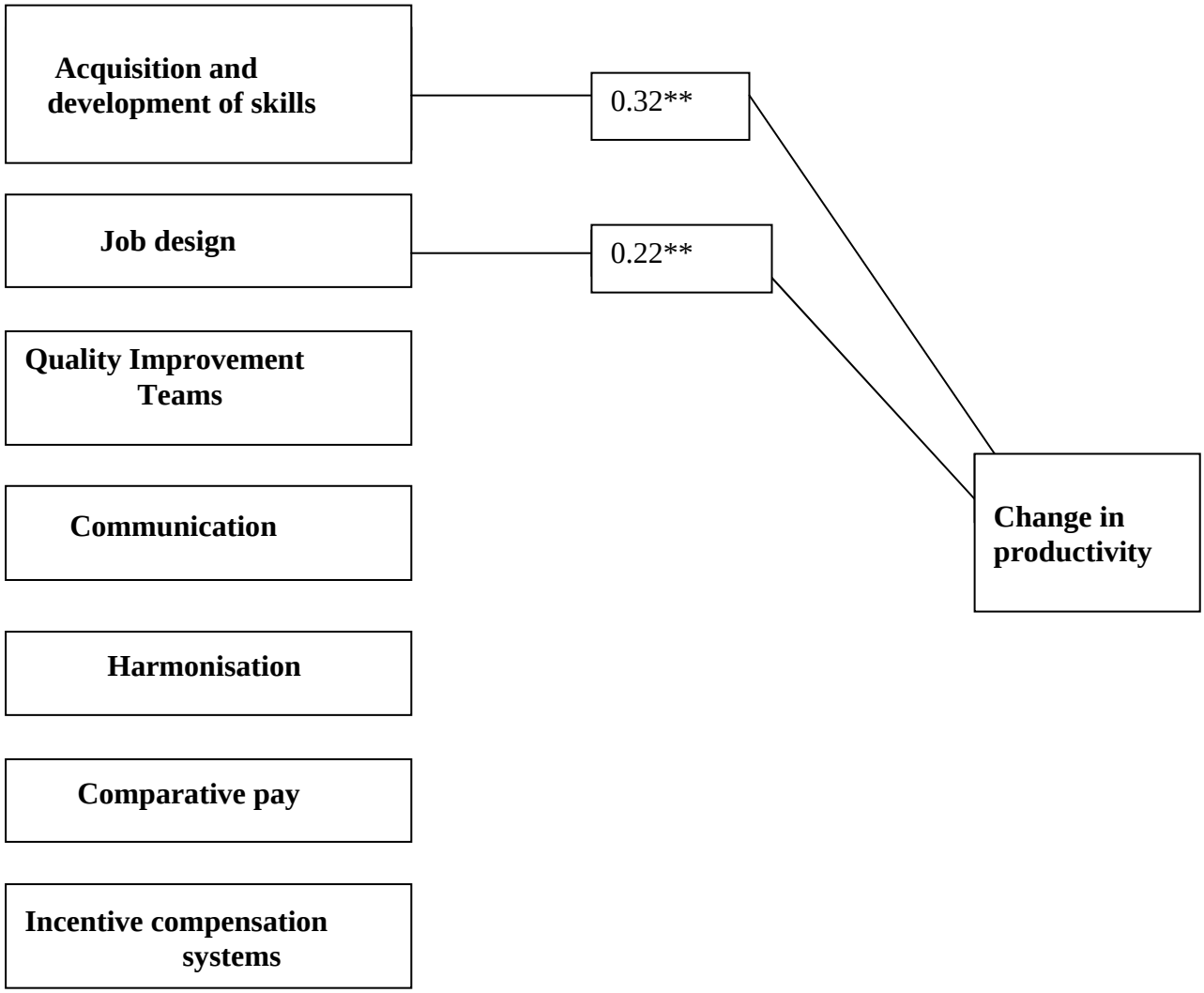


Figure 2.10 HRM factors predicting change in productivity



Source: Malcolm *et al*., (2007), Impact of People Management Practices on Business Performance, p.17

["The arrows indicate the significant associations. The numbers indicate the size of the relationship- the larger the number, the stronger the association – and also indicate whether it is positive or negative. The asterisks indicate the degree of statistical significance, more asterisks indicating greater significance (*p < 0. 1, ** p, 0.005, *** p< 0.01)"]. Malcolm G. P. *et al.*, 2007, p.17].

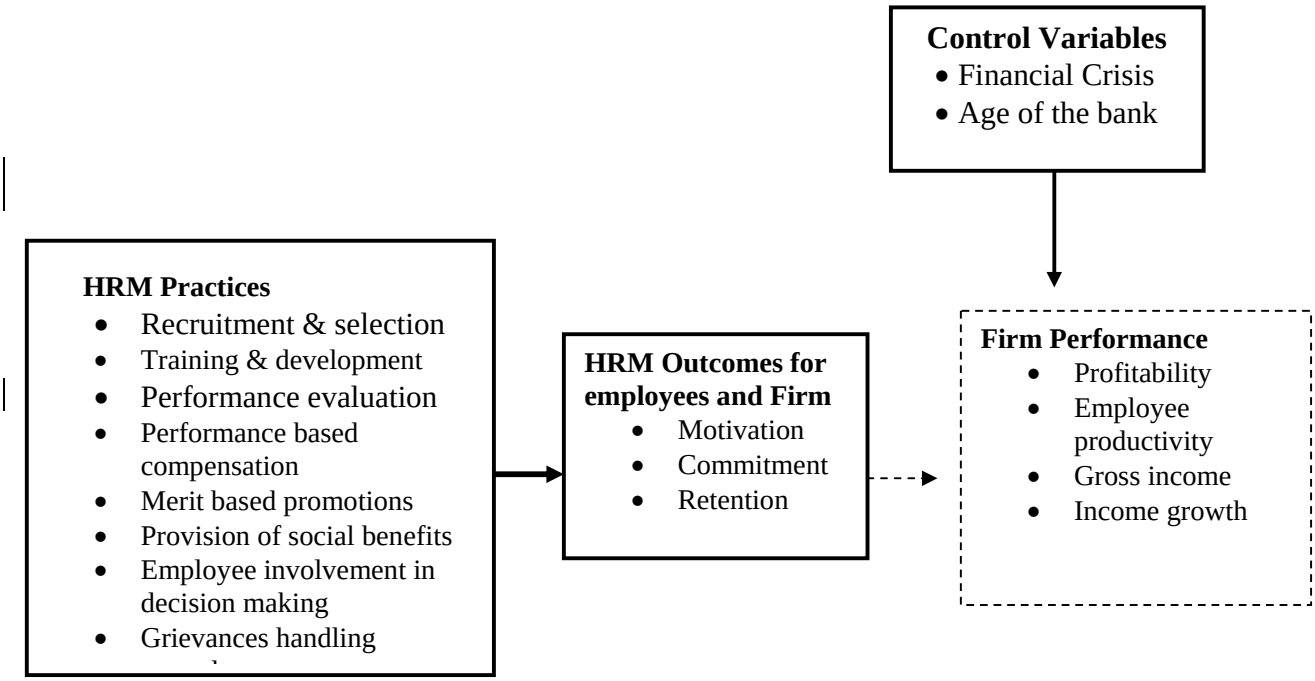
Chapter 03

Conceptual Framework and Hypothesis

3.1 Conceptual framework

The conceptual framework that was tested in this research is shown in figure 3.1.

Figure 3.1: Conceptual framework of the study



The literature review in chapter two, generally verifies the idea that HRM practices have a positive impact on firm performance. But there has been less agreement in this literature which HRM practices and outcome variables should be tested. Therefore, choosing independent variables for conceptual framework was very complex. Based on two criteria, (they must have been used in previous studies and they must be relevant for banking industry) eight HRM practices variables have been included in the conceptual framework. Namely, they are Recruitment & Selection, Training & Development, Performance evaluation, Merit based promotions, Performance based compensation, Provision of social benefits, Employee

involvement in decision making, and Grievances handling procedure. According to the discussion in chapter 2, HR outcomes of employees such as employee satisfaction, employee commitment, and employee retention are influenced by the HRM practices of the firm and that the HR outcomes will mediate the relationship between HRM practices and firm performance. Four measures of firm performance have been identified in this study. These measures have already been used in the literature to indicate the firm performance. They are profitability, employee productivity, gross income and income growth (operating results). Profitability was measured by ROE (Return on average equity), ROA (Return on average assets) and NIM (Net interest margin). Employee productivity was measured by profit per employee and Income per employee.

To study HRM outcomes as well as firm performance, several control variables would have to be included into the model to capture other organizational and environmental forces that are related to both the adaptation of HRM policies and organizational performance (Delaney & Huselid, 1996), because the choice of control variables in the analysis can have an important effect on the result (Guest, 2001).Therefore, financial crisis, age of the bank have been used as control variables.

- **Financial crisis**

The current financial crisis in the United State and the rest of the world has affected several banks and other financial institutions around the world. Hence, financial crisis has been included to the model as a control variable.

- **Age of the bank**

Age is used to capture any founding values of the organization (Delaney & Huselid, 1996). Age has been calculated as the difference of 2009 (year of survey) minus the founding year of the organization.

3.2 Variables in the conceptual framework in more detail

3.2.1 HR practices

Human resource practices are the primary means by which firms can influence and shape the skills, attitudes, and behaviour of individuals to do their work and thus achieve organizational goals (Collins & Clark, 2003; Martinsons, 1995). In this research, I have adopted those HR practices most consistent with the prior theoretical and empirical work in the field (Arthur, 1994; Lado & Wilson, 1994; Wright et al., 1994; Dyer & Reeves, 1995; Huselid, 1995; McDuffie, 1995; Berker & Gerhart, 1996; Koch & McGrath, 1996). These practices included aspects like recruitment & selection, training & development, compensation, social benefits, promotion, performance appraisal and grievances handling procedures.

- **Recruitment & Selection**

"Recruitment is the process of locating potential individuals who might join an organization and encouraging them to apply for existing or anticipated job openings" (Dessler, p.171). Recruitment is the development of a pool of job candidates in accordance with a human resource plan. Further it can be explained as the process of locating, identifying and attracting capable applicants. During this process, efforts are made to inform the applicants fully about the qualifications required to perform the job and the carrier opportunities the organization can offer its employees.

Selection is the process of choosing individuals who have relevant qualifications to fill existing or projected job openings ((Dessler, p.234). It is the process of assessing candidates and appointing a post holder to ensure that the most appropriate candidates are hired. Successful employee hiring decisions are the foundation of any organization's success. Most managers and senior executives would agree that the task of hiring can be one of the responsibilities with the most impact in their organization. There is no doubt; hiring mistakes are quite costly to organizations, regardless of the size of the organization. Hiring mistakes cause disruption in the workplace. People who do not perform up to desired standard cause a drain on other staff resources, making that staff far less productive, costing real dollars. In addition, management

must devote time to attempt corrective actions. This takes away time from other duties for managers.

- **Training & Development**

Training was included as a high-performance HRM practice, among others, by Huselid (1995), McDuffie (1995) and Koch & McGrath (1996). In the field of human resource management, training and development is the field concerned with organizational activity aimed at improving productivity and enhancing skills of individuals and groups in the organizational setting. Development refers to formal education, job experiences, relationships, and assessments of personalities and abilities that help employees prepare for the future. (http://www.studies-online.org/MGT413/Notes/Employee_development_I.pdf).

The term training is often used casually to describe almost any effort initiated by an organization to foster learning among members. Training tends to be more narrowly focused and oriented toward short- term performance concerns, and development, which tends to be oriented more toward broadening an individual's skills for future responsibilities (Snell S & Bohlander G, 2007). It can be expected that firm investments in technical and non- technical training will have a positive impact on the skills/knowledge of its employees.

Training was included as a high-performance HRM practice (Huselid, 1995; MacDuffie, 1995; Koch and McGrath, 1996). Firms with superior training programmes may also experience lower staff turnover than firms that neglect employees training and development. Employees who are working in firms with good technical and non-technical training programmes, realize that their market value grow more favorably than in other firms, if the training is of the general type that also increases productivity outside the firm. Therefore, they may have an interest of remaining longer in the firm.

- **Compensation & Benefits**

"Employee compensation includes all forms of pay and rewards received by employees for the performance of their jobs" (Snell S & Bohlander G, 2007, p.378). Direct compensation

encompasses employee wages and salaries, incentive-payments, bonuses, and commissions. Indirect compensation comprises the many benefits supplied by employers and non financial compensation includes fringe benefits like free insurance, subsidized lunch, etc. intrinsic rewarding jobs, a nice work environment, and flexible work hours to accommodate personal needs. “Employee benefits constitute an indirect form of compensation intended to improve the quality of the work lives and the personal lives of employees” (Snell & Bohlander, 2007, p. 448).

Most studies have included performance-based compensation as one of the high-performance HRM practices (e.g. Arthur, 1994; Delery and Doty, 1996; Huselid, 1995; MacDuffie, 1995). Empirical studies on the relationship between performance-related pay and company performance have generally found a positive relationship. Delery and Doty (1996) identified performance-based compensation as the single strongest predictor of firm performance.

- **Performance evaluation**

“The performance appraisal can be defined as a process, typically delivered annually by a supervisor to a subordinate, designed to help employees understand their roles, objectives, expectations and performance success” (Snell S & Bohlander G, 2007, p. 332). Performance appraisal is a process of systematically evaluating performance and providing feedback upon which performance adjustments can be made. It should be based on job analysis, job description and job specifications.

- **Merit –based performance**

Company-internal promotions based on merit rather than seniority may also enhance employee motivation and employee retention (Guest, 1997).

- **Employee involvement in decision making**

Several studies have identified employee involvement in decision making as an important high-performance HRM practice (Arthur, 1994; MacDuffie, 1995; Pfeffer, 1995). It enhances employee commitment to the organization. Researchers have found that employee participation

in decision making can have a significant effect on employee satisfaction and performance at work (Wagber, 1994).

- **Grievances handling**

"A grievance is the formal expression of dissatisfaction or injustice that an employee feels towards the employer" (Pilbeam S & Corbridge M, p.427). The existence of a well-functioning grievances handling system may also help alleviate situations of perceived injustice or conflicts in the organization. Both the process of handling the grievances and the outcome of the process may influence employee perceptions of how the firm deals with the situation (Morrison and Robinson, 1997). If grievances are properly handled by the managers, the employee is more likely to maintain a high level of commitment to the organization. Thus, effective handling of grievances leads to a lower employee turnover.

3.2.2 HR Outcomes

The HR outcomes are, in turn, expected to explain some of the variance in firm performance (Becker et al., 1997; Guest, 1997). In this study three HR outcomes have been used to test the impact of HRM practices on HR outcomes. They are employee satisfaction, employee commitment and employee retention.

3.2.3 Firm Performance

Although there are various stakeholders in an organization, the chief strategic goal of any private business is higher financial performance or maximization of wealth for the shareholders (Becker & Huselid, 1998; Horngren et al., 2000) whereas the goal of public firms are more diverse, like supplying certain services to a wider audience, and in a cost minimizing way. Financial performance of an organization depends to a large extent on effective operational performance. The operational performance is a function of people, process and technology (Curtis et al., 1995).

3.3 Hypotheses

This conceptual model has enabled the testing of ten main hypotheses, as follows:

Hypothesis 1:

Job advertisement in news papers leads to higher a) employee satisfaction b) employee commitment and c) employee retention than recruiting friends and family members of current employees.

Hypothesis 2:

Providing training for employees is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

Hypothesis 3:

Provision of performance-based compensation is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

Hypothesis 4:

Provision of compensation and social benefits is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

Hypothesis 5:

Performance evaluation of employees is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

Hypothesis 6:

Employee involvement in decision making is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

Hypothesis 7:

Well-functioning grievances handling system is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

Hypothesis 8:

A higher intensity of using these pre-specified bundles of HRM practices is positively related to better a) employee satisfaction b) employee retention and c) employee commitment

Hypothesis 9:

The intensity use of specified HRM practices is positively related to better bank performance.

Hypothesis 10:

Better HRM outcomes achieved by Sri Lankan public sector banks, will lead to better bank performance.

Chapter 04

Social science methods for the study

4.1. Introduction

The first stage of this study rely on the so called *descriptive research method which means that the* study is typically concerned with describing the characteristics of certain groups, to estimate the frequency or proportion of subjects in a specified population, to analyze relationships between variables, or to make specific predictions (Zikmund, 2003). The descriptive research must start with prior knowledge about the phenomenon studied and should rest on one or more specific hypotheses. Based on that, the first stage of this research was a review of the existing literature on HRM practices, their outcomes and impact of HRM practices and HRM outcomes and on organizational performance. The second stage of the study was to examine the relationship between two key set of variables (i.e., Dependent and Independent variables), as well as other intervening or control variables based on primary and secondary data.

Data related to HR system of banks were collected first by interviews of key informants in the public banks. Primary data related to HRM outcomes such as employee satisfaction, employee commitment and employee retention, were collected from employees who are working in different departments of the banks. A structured questionnaire was designed to collect data from employees. Secondary data have been collected on profitability, employee productivity, gross income and income growth. Both of these data (i.e., Primary and Secondary) were analyzed quantitatively. In addition qualitative research methods have been used. The hypotheses of the study have provided the basis for analyzing data in a meaningful manner.

4.2 Population

This study focused on HRM practices and HRM outcomes of public sector banks in Sri Lanka. As well as, the idea was to study the impact of HRM practices on performance of public sector banks in Sri Lanka. However, it turned out that it was not possible to get

access to data on the performance of banks in this period after the international financial crises. The topic of the empirical study has therefore been limited to a study of how HRM practices impact on HRM outcomes of public sector banks in Sri Lanka. There are two public sector banks in Sri Lanka. Therefore, population of this study is all the non managerial employees who are working in different departments of branches of two public sector banks in Sri Lanka.

4.3 Sample

Two public sector banks in Sri Lanka have been selected to study of how HRM practices impact on HRM outcomes of public sector banks in Sri Lanka. The sample of this study consisted of 209 respondents who are working in the different departments of branches of two public sector banks in Sri Lanka. Based on probability sampling procedure, *multistage sampling technique* was used for selecting respondents to the sample.

4.4. Data Collection Methods

4.4.1 Questionnaire

Both primary and secondary data were gathered to study the impact of HRM practices on HRM outcome of Sri Lankan public sector banks. For the purpose of this study, a structured questionnaire consisting of 59 questions was made to collect data. It was organized into two sections and was used to collect primary data from employees. ***Section one*** consisted of 6 questions regarding the personal details of respondents such as age, experience, sex, designation, education and marital status. ***Section two*** was designed to test employees' perceptions about HRM practices (Staffing, Training, Performance appraisal, Compensation and social benefits), and HR outcomes (job satisfaction, employee commitment and employee retention). A five point Likert scale has been used in this second section of the questionnaire to measure the impact of HR practices on HRM outcomes. The scaling is: 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree have been given in order to analyze data. For example to test performance evaluation practices five questions/statements were asked in the questionnaire. One of the questions/statements is given below.

Figure 4.1 A question/statement in the questionnaire

	Strongly disagree	disagree	Neutral	Agree	Strongly agree
I have a clear understanding of how my performance is evaluated					

Six questions were asked to test selection & recruitment, four questions to test training and development, five questions to test performance evaluation, eleven questions to test compensation and social benefits, four questions to test promotion practices, four questions to test grievances handling and eight questions to test employee motivation, nine question to test employee retention and two questions to test employee commitment. (See questionnaire).

In addition, a structured questionnaire which containing two main questions was designed to gather data from key informants of two banks on HRM practices and performance of two banks.

4.5 Measurement of Organizational (banks') Performance

Multiple measures of performance have been used in some of the recent savings bank studies (Flavian, Fuentelsaz and Polo, 1998). In this study, I expected to measure organizational performance in two dimensions: operational performance and financial performance. *Operational performance* was defined in terms of *employee productivity*. Employee productivity is an important performance criterion for a service organization such as savings banks where human resources are its biggest asset (Mehra, 1996). Employee productivity was measured in terms of *profit per employee* and *income per employee.*

Financial performance was measured in terms of *income*, *growth in income* and *profitability ratios*: Return on assets (ROA), Return on average equity (ROE), Net interest margin (NIM), Cost to income from year 2006 to 2009. The firm performance was

measured subjectively. Each organization was asked to rate their performance on each parameter for a period of four years (2006-2009). But they did not like to reveal their performance data. Therefore, in this study, I was unable to collect bank performance data as I expected. Hence, I was unable to measure bank performance as I explained above.

4**.6** Measurement of HR Practices

In this research, the researcher has adopted those HR practices most consistent with the prior theoretical and empirical work in the field [Arthur, 1994; Lado and Wilson 1994; Wright, McMahan and McWilliams, 1994; Dyer and Reeves, 1995; Huselid, 1995; MacDuffie, 1995; Becker and Gerhart, 1996; Koch and McGrath, 1996; Ulrich, 1997]. These practices included aspects like recruitment & selection, training & development, performance evaluation, promotion, compensation & social benefits, and grievances handling. Therefore, using a five -point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), respondents (both employees and key informants) were asked to indicate their perception on these HRM practices and HRM outcomes (For more details about questions see Appendix K-1, questionnaire for employees).

4.7 Measurement of HR outcomes

HR outcomes are influenced by the HRM practices of the bank and that the HR outcomes will mediate the relationship between HRM practices and banks' performance. Three HR outcomes such as employee satisfaction, employee commitment, and employee retention have been used in this study. Using a five point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), respondents (employees) were asked to indicate their perception on these HR outcomes. Eight questions were asked to test employee satisfaction, nine questions to test employee retention and two questions were used to test employee commitment respectively.

CHAPTER 5

Data Presentation and Analysis of General Information

5.1 Introduction

This chapter is fully dedicated for presentation and analyzing of general information of respondents collected through structured questionnaire. Six questions have been used for collecting general information from the respondents. General information includes occupation, gender, age, marital status, education qualification and service period in the bank. Collected general information has been presented as follows.

5.2 Presentation of General Information

5.2.1 Gender Distribution

The sample was included 209 respondents who are working in different departments of different branches in two public sector banks. Table 5.1 illustrates the composition of respondents.

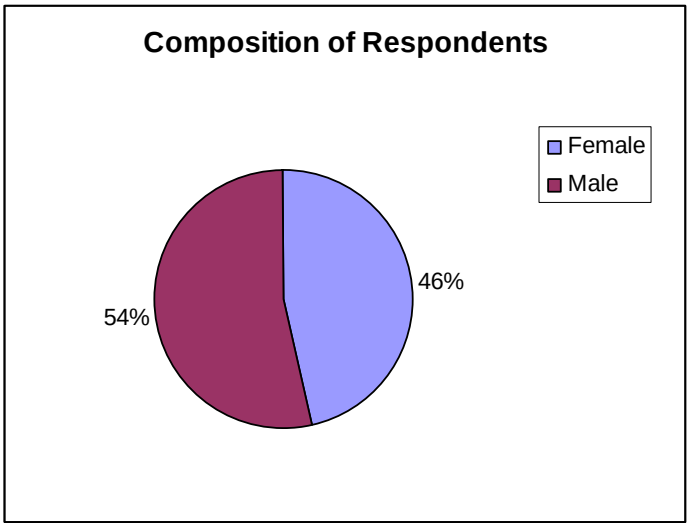
Table 5.1 Composition of respondents

Gender	Frequency	Percent (%)
Female	97	46.4
Male	112	53.6
Total	209	100.0

Source: Survey data, 2010

According to table 5.1, there are 209 respondents, out of them 97 are female and 112 are male respondents. That is, sample consists of 46.4% of female respondents and 53.6% of male respondents.

Figure 5.1 Compositions of Respondents



Source: Survey data, 2010

5.2.2 Age distribution

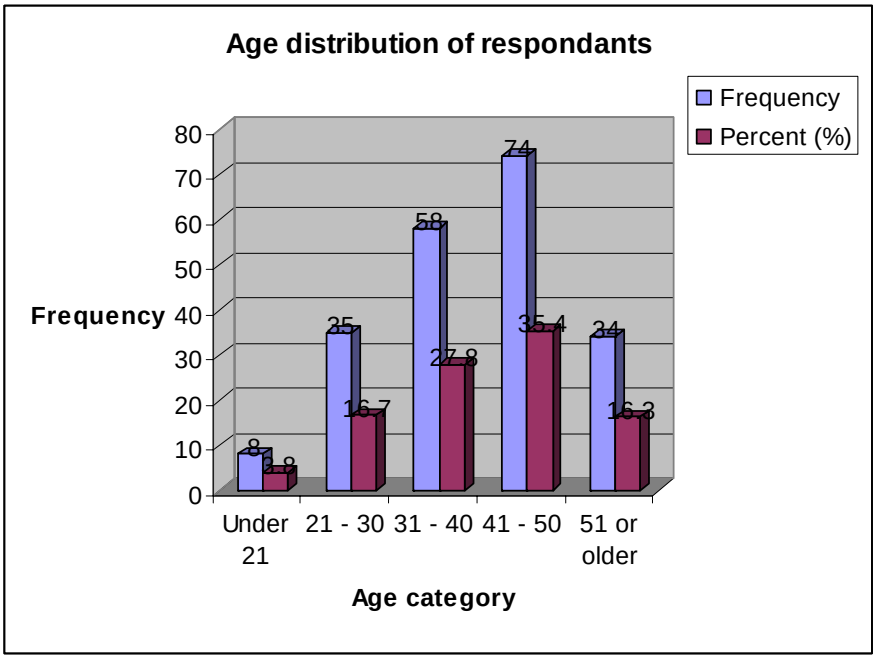
Age distribution of respondents is presented in table 5.2. It shows that most of respondents are in age category of 41-50. That is, 35.4 % of respondents. 34 are in age category of 51 or older.

Table: 5.2 Age distribution of respondents

Age	Frequency	Percent (%)
Under 21	8	3.8
21 - 30	35	16.7
31 - 40	58	27.8
41 - 50	74	35.4
51 or older	34	16.3
Total	209	100.0

Source: Survey data, 2010

Figure 5:2 Age distributions of respondents



Source: Survey data, 2010

5.2.3 Marital Status of respondents

Both married and unmarried employees are included into the sample. Marital status of respondents of the sample is illustrated in the table 5:3. Table 5:3 indicates that out of 209 respondents, 181 are married employees and rests of others are unmarried employees.

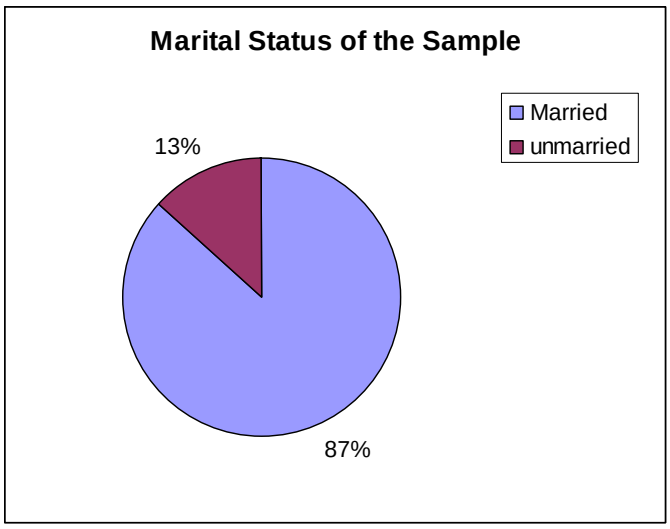
Table: 5:3. Marital Status of respondents

Marital Status	Frequency	Percent (%)
Married	181	86.6
unmarried	28	13.4
Total	209	100.0

Source: Survey data, 2010.

Following figure 5:3 shows above mentioned data on marital status of respondents in the sample.

Figure 5:3. Marital Status of respondents



Source: Survey data, 2010

5.2.4 Education qualification of respondents

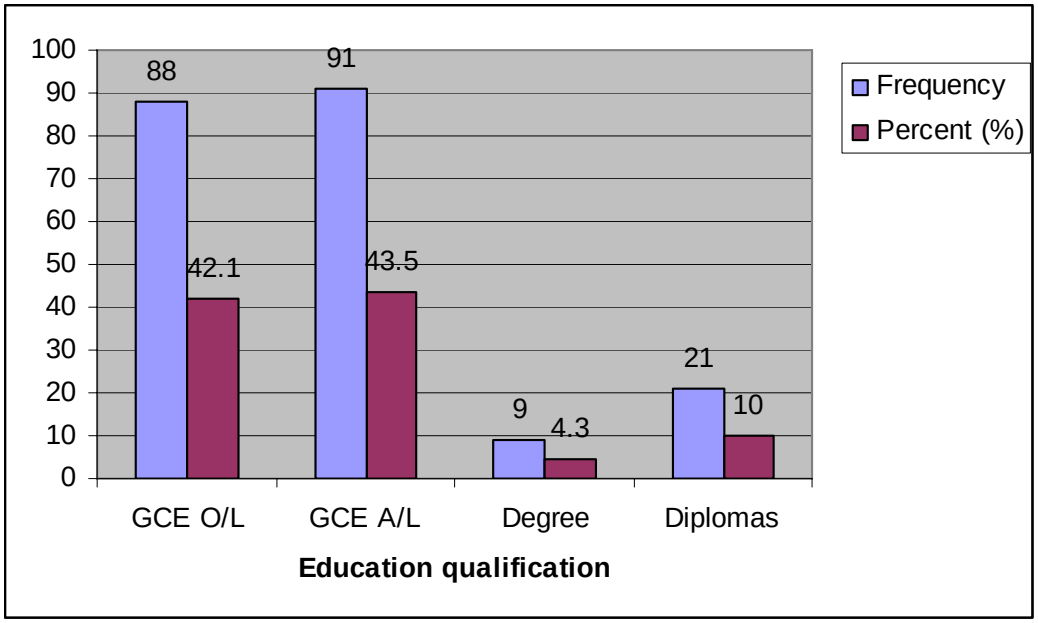
Respondents were asked to indicate their highest education qualification. Collected data on the highest education qualification is presented at the table 5.4. According to the given data in the table 5.4., GCE A/L has recorded as the highest education qualification of most of the respondents in the sample. That is, 91 employees have passed GCE A/L. None of the respondents have professional qualification and postgraduate degree qualification.

Table: 5.4. Education Qualification of respondents

Highest Education Qualification	Frequency	Percent (%)
GCE O/L	88	42.1
GCE A/L	91	43.5
Degree	9	4.4
Diplomas	21	10.0
Professional qualifications (CIMA, etc.)	-	-
Postgraduate	-	-
Total	209	100.0

Source: Survey data, 2010.

Figure: 5.4. Education Qualification



Source: Survey data, 2010.

5.2.5 Data on Service period of respondents

Question number 6 in the questionnaire was "How long have you worked for the present bank?", gathered data on this question is presented in the table 5.5.

Table: 5.5. Service period of respondents

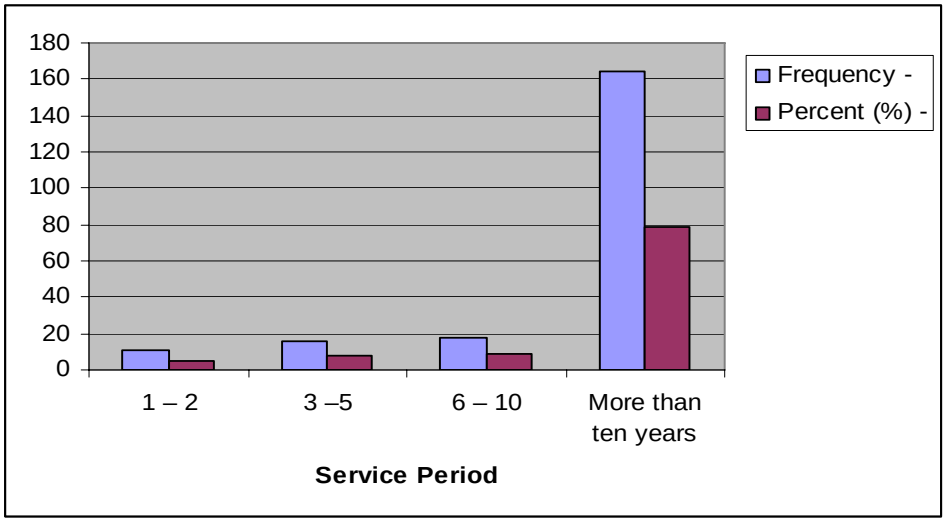
Service period	Frequency	Percent (%)
Less than one year	-	-
1 – 2	11	5.3
3 -5	16	7.7
6 -10	18	8.6
More than ten years	164	78.4
Total	209	100.0

Source: Survey data, 2010.

Table 5.5 indicates that most of the respondents (164) have more than ten year experience in the present bank. As a percentage, 78.5 % have more than ten years of service in the

present bank and 5.3 % have 1-2 years of service. Graphical presentation of this information is presented in figure 5.5.

Figure 5.5. Service period of respondents



Source: Survey data, 2010.

5.3 Analysis of General Information

5.3.1. Gender distribution

The general information was analyzed by using Statistical package for Social Sciences (SPSS). Mean value is 2 for gender distribution of respondents. This indicates that most of the respondents in the sample consisted from male employees (see appendix J).

5.3.2. Age distribution

Results from the analysis for the age distribution of respondents show that mean value for age distribution is 4.11, which indicates that most of the respondents in the sample are in the age category of 41-50. Mode is 4 for age distribution of respondents (see appendix J).

5.3.3 Marital Status

Results from the analysis indicated that mode value is 1 for marital status of respondents. This indicates that most of the respondents in the sample are married employees in two public sector banks in Sri Lanka (see appendix J).

5.3.4. Education qualification

Mean value for education qualification is 1.82 and mode is 2. These figures indicate that highest education qualification of respondents in the sample is having passed GCE A/L (see appendix J).

5.3.5. Service period

Results from the analysis indicate that mode value is 5 for service period of respondents and mean value is 4.6. These figures indicate that most of the respondents have more than ten years service period in the bank (see appendix J).

I have omitted a measure of age of bank and financial crisis variables in the conceptual framework from the actual empirical analysis of my 2010 data collection after the financial crisis and with only two public sector banks. .

Chapter 6

Assessing Reliability

6.1 Introduction

Cronbach alpha is a measure for the internal consistencies of the items that together cover the specific factor. It measures internal consistency of items to the concept. Thus, I have used Cronbach's alpha to measure the reliability of items in this study. Cronbach's Alpha coefficient is a statistic for internal reliability, values ranging from 0 to 1, and higher values indicate greater reliability. Researchers often use 0.6 as a minimum level, and so do I in this study.

6.2 Reliability Statistics for HRM Practices

Table 6.1: Reliability Statistics for six HRM practices

HRM practice	N: of Items	Cronbach's Alpha
Recruitment & Selection Practices	6	0.711
Training & Development Practices	4	0.630
Performance Appraisal practices	5	0.797
Compensation and social benefits	11	0.613
Promotion practices	4	0.652
Grievances Handling	4	0.911

Table 6.2 Results of reliability test for all dimensions of HRM Practices

Cronbach's Alpha	N of Items
0.722	34

Table 6.1 presents the results of reliability test for each HRM Practices. It could be observed that all of the alpha values are more than 0.6. According to table 6.1, alpha value for grievances handling is 0.911which is the highest alpha value among HR Practices. Computed alpha values exceed 0.7 for three HRM practices. They are grievances handling, performance appraisal and recruitment & selection. Results show that Cronbach's alpha is 0.722 for all the dimensions (34 dimensions) of HRM practices (see table 6.2). These statistics reveal that internal consistency of items to the concept is good.

6.3 Assessing reliability of HR outcomes

Following two tables 6.3 indicates the Cronbach's alpha values for each HR outcomes i.e., employee satisfaction, commitment and retention. It could be observed that all the alpha values are more than 0.74. Therefore, internal consistency of items to the concept is good. Table 6.4 indicates the alpha values for all the dimensions of HR outcomes. It is 0.842.

Table 6.3. Reliability Statistics for HR outcomes

HR Outcomes	N: of Items	Cronbach's Alpha
Employee satisfaction	8	0.767
Employee commitment	2	0.743
Employee retention	9	0.774

Table 6.4 Results of reliability test for all dimensions of HR Outcomes

Cronbach's Alpha	N: of Items
0.842	19

CHAPTER 7

Hypotheses Testing Using Statistical Techniques

7.1 Introduction

This chapter is fully dedicated for testing hypotheses which were presented in chapter three. The conceptual model has enabled the testing of ten main hypotheses. Multiple regression analysis and correlation analysis were conducted to test the hypotheses of this study.

Correlation is a measure of relationship between two variables. The correlation coefficient gives a mathematical value (-1 to 1) for measuring direction and the strength of the linear relationship between two variables. Pearson's correlation coefficients were computed through bivariate correlation for this study. Bivariate correlations which test the strength of the relationship between two variables without giving any consideration to the interference some other variable might cause to the relationship between the two variables being tested.

In this study, recruitment & section practice was measured by using six items (questions), four items were used to measure three HR practices i.e., training and development, grievances handling and promotion practice. Five items were used to measure performance evaluation and compensation and social benefits practice was measured by eleven items. When some concepts are measured by several items (questions), the items can be summarized to calculate the mean values. This is called calculating total scale scores. To conduct the analysis and to test the hypotheses, total scale score was calculated for each HRM practices. Many statistical methods, in particular, the parametric ones presumes a (at least, approximate) normal distribution of the variables. That is, for the purpose of using parametric statistics (e.g., Pearson correlation, ANOVA) and regression analysis, normal distribution of variables is needed. Hence, the variables were transformed by using function such as Log10 for normal distribution of variables in this study. The transformed total scale scores of each HRM practices were used as the independent variables to conduct the analysis and to test the hypothesis.

In this study, three HR outcomes i.e., employee satisfaction, retention and commitment were measured by using eight items, nine items and two items respectively. To conduct the analysis and to test the hypotheses, total scale scores were calculated for each HR outcomes. These three HR outcomes were transformed by using function of Log10 for normal distribution of variables in this study. The transformed total scale scores of each HRM outcomes were used as the dependent variables to conduct the analysis and to test the hypothesis.

Multiple regression analysis is the most commonly used technique to assess the relationship between one dependent variable and several independent variables. Hence, multiple regression analysis has been done for testing hypotheses with '*Enter'* method in this study. Dependant variables are HRM outcomes i.e., employee satisfaction, employee commitment or employee retention. The specified various dimensions of HRM practices are the independent variables for this study. The adjusted R square gives more accurate information about the fitness of the model, the share of variation in the dependant variable explained by the variation in the independent variables. In this study, the adjusted R square, *F*-value and *t*-value from the SPSS output have been used to interpret the results of regression analysis. Tested hypotheses are described as follows.

7.2 Do job advertisements in news papers influence on employee satisfaction, commitment and retention?

Hypothesis 1:

Job advertisements in news papers leads to higher a) employee motivation b) employee commitment and c) employee retention

7.2.1 Hypothesis 1(a):

Job advertisements in news papers lead to higher employee satisfaction

In connection with hypothesis 1(a), correlation analysis was conducted with employee satisfaction as the dependant variable and job advertisement in news papers to recruit people as the independent variable. Results show that, Pearson correlation coefficient is 0.031, and the *p*-

value for two- tailed test of significance is 0.654 (see appendix A-1). This figure suggests that there is positive relationship between job advertisement in news papers to recruit people and employee satisfaction but it is not significant.

Since I have only one indicator question of job advertisements, I have the same results from linear regression and correlation analysis (i.e., standardized coefficient beta of 0.031which is exactly the same as the correlation coefficient).Results show that the F value is 0.202 (p=0.654) that is not significant. Regression coefficient (B) was 0.017(0.037) which was not significantly different from zero (t =0.449; p = 0.654) at the 1% significance level (see appendix A-1). Thus, null hypothesis is not rejected but its alternative hypothesis is rejected. Therefore, collected data does not support the alternative hypothesis that job advertisement in news papers to recruit people lead to higher employee satisfaction in PSB in Sri Lanka.

Therefore, for the further analysis I will only report the results from the correlation analysis in such cases.

7.2.2 Hypothesis 1(b):

Job advertisements in news papers lead to higher employee commitment.

Regarding hypothesis 1(b), correlation analysis was conducted with employee commitment as the dependant variable and job advertisement in news papers to recruit people as the independent variable. Results show that Pearson correlation coefficient between job advertisement in news papers to recruit people and employee commitment is 0.018, and the *p- value* for two- tailed test of significance is 0.797 (see appendix A-2). This correlation is not significant at the significance level of 1% .This figure suggests that there is positive relationship between job advertisement in news papers to recruit people and employee commitment but it is not significant. Thus, null hypothesis is not rejected but its alternative hypothesis is rejected. Therefore, collected data does not support the alternative hypothesis that job advertisement in news papers to recruit people lead to higher employee commitment in PSB in Sri Lanka.

7.2.3 Hypothesis 1(c):

Job advertisements in news papers lead to higher employee retention.

In connection with hypothesis 1(c), correlation analysis was conducted with employee retention as the dependant variable and job advertisement in news papers to recruit people as the independent variable. Results of the correlation analysis show that, Pearson correlation coefficient is -0.024, and the *p- value* for two- tailed test of significance is 0.729 (see appendix A-3). This correlation is not significant at the significance level of 1%. This figure suggests that there is negative relationship between job advertisement in news papers to recruit people and employee retention but it is not significant. Thus, null hypothesis is not rejected but its alternative hypothesis is rejected. Therefore, collected data does not support the alternative hypothesis that job advertisement in news papers lead to higher employee retention in PSB in Sri Lanka.

7.3 Does providing training influence employee satisfaction, employee commitment and employee retention?

Hypothesis 2:

Providing training for employees is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

Training and development was measured by four items (questions) and while employee satisfaction variable is measured by eight items. To conduct the analysis and to test this hypothesis, total scale scores were calculated for employee satisfaction. For the purpose of using parametric statistics (e.g., Pearson correlation, ANOVA) and regression analysis, normal distribution of variables is needed. Hence, the variables were transformed by using function of Log10 for normal distribution of variables. This transformed total scale scores of employee satisfaction was used as the dependant variable and four items of training and development used as the independent variables to conduct the analysis and to test this hypothesis.

7.3.1. Hypothesis 2a:

Providing training for employees is positively related to higher employee satisfaction.

Table 7.1: Results of Pearson Correlations for dimensions of Training and employee satisfaction

No:	Independent variables (Training)	Dependant variable (Employee Satisfaction)
1	Opportunities to learn & grow	0.261**
2	Getting training needed to do job well	0.360**
3	Training for promotion	0.233**
4	Training match with the job	0.090

**. Significant at the 0.01 level (2-tailed).

Table 7.1 demonstrates the correlation coefficient for dependant variable i.e., employee satisfaction and independent variables i.e., the four dimensions of training and development practice. Pearson correlation coefficients illustrate that there is positive relationship between all the independent variables and employee satisfaction. Correlation coefficients of three independent variables are significant at the significance level of 1%.

In connection with hypothesis 2(a), regression analysis was conducted with employee satisfaction as the dependent variable and the four dimensions of training and development as the independent variables. The adjusted R square value is 0.132 that reveals 13.2 % of total variance in employee satisfaction is explained by training variable. Results show that the F value is 8.896 that is significant at $p = 0.000$, suggesting that four dimensions of training variable have significantly explained the 13.2 % of the variance in employee satisfaction (See appendix B-1). Regression results show that getting training needed to do job well ($t = 4.081$; $p = 0.000$), emerged as the most significant variable in explaining the variance in employee satisfaction. This value is significant at 1% significance level. That is, getting training needed to do job well variable had the strongest effect on employee satisfaction with a standardized coefficient beta of 0.295 (see appendix B-1). Regarding hypothesis 2(a), the null hypothesis is that, provision of

training is not positively related to higher employee satisfaction. Results of regression analysis support the hypothesis 2(a), hence null hypothesis is rejected and its alternative hypothesis that provision of training is positively related to higher employee satisfaction is supported by my data set.

7.3.2 Hypothesis 2b:

Providing training for employees is positively related to higher employee commitment.

Table 7.2 Results of Pearson Correlations for dimensions of Training and employee commitment.

No:	Independent variables (Training)	Dependant variable (Employee Commitment)
1	Opportunities to learn & grow	0.333**
2	Getting training needed to do job well	0.159*
3	Training for promotion	0.408**
4	Training match with the job	0.072

**. Significant at the 0.01 level (2-tailed)

*. Significant at the 0.05 level (2-tailed).

Table 7.2 demonstrates the correlation coefficient for dependant variable i.e., employee commitment and independent variables i.e., four dimensions of training and development. Pearson correlation coefficients illustrate that there is positive relationship between all the independent variables and employee commitment, as expected. Correlation coefficients of two independent variables are significant at the significance level of 1% and one independent variable is significant at the significance level of 5%.

In connection with hypothesis 2(b), regression analysis was conducted with employee commitment as the dependent variable and four dimensions of training as the independent variables. Results show that the adjusted R square value is 0.159 and the F value is 10.851 that is significant at p = 0.000, suggesting that four dimensions of training variable have significantly

explained the 15.9 % of the variance in employee commitment (See appendix B-2). The results of regression analysis show that training for promotion (t = 3.907; p = 0.000), emerged as the most significant variable in explaining the variance in employee commitment (see appendix B-2). This value is significant at 1% significance level. That is, training for promotion variable had the strongest effect on employee commitment with a standardized coefficients beta of 0.333. Regarding hypothesis 2(b), the null hypothesis is that, provision of training is not positively related to higher employee commitment. Results of regression analysis support the hypothesis 2(b). Thus null hypothesis is rejected and its alternative hypothesis that provision of training is positively related to higher employee commitment is supported.

7.3.3 Hypothesis 2c:

Providing training for employees is positively related to higher employee retention.

Table 7.3 Results of Pearson Correlations for dimensions of Training and Employee retention.

No:	Independent variables (Training)	Dependant variable (Employee Retention)
1	Opportunities to learn & grow	0.192**
2	Getting training needed to do job well	0.083
3	Training for promotion	0.223**
4	Training match with the job	0.024

**. Significant at the 0.01 level (2-tailed).

Pearson correlation coefficients illustrate that there is positive relationship between all the independent variables and employee retention. Correlation coefficients of two independent variables are significant at the 1%significance level.

In connection with hypothesis 2(c), regression analysis was conducted with employee retention as the dependent variable and four dimensions of training as the independent variables. Results show that the adjusted R square value is 0.036 and the F value is 2.918 that is significant at p = 0.022, suggesting that four dimensions of training variable have significantly explained the 3.6 %

of the variance in employee retention (See appendix B-3). Training for promotion (t = 1.920; p = 0.056), emerged as the most significant variable in explaining the variance in employee retention (see appendix F). This value is significant at 10% significance level. That is, training for promotion variable had the strongest effect on employee retention with a standardized coefficient beta of 0.175. Regarding hypothesis 2(c), the null hypothesis is that, provision of training is not positively related to higher employee retention. Results of regression analysis support the hypothesis 2(c). Thus null hypothesis is rejected and its alternative hypothesis that provision of training is positively related to higher employee retention is supported by my data set.

A value of VIF less than five indicates the absence of multicollinearity in the models, meaning each question items add extra information in my case (see appendix D, E, and F).

7.4 Does provision of performance-based compensation influence employee satisfaction, commitment and retention?

Hypothesis 3:

Provision of performance-based compensation is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

7.4.1 Hypothesis 3a:

Provision of performance-based compensation is positively related to higher employee satisfaction.

Results of the correlation analysis show that, Pearson correlation coefficient is 0.439, and the *p-value* for two- tailed test of significance is 0.000 (See appendix C-1). From these figures it can be concluded that there is strong positive relationship between performance-based compensation and employee satisfaction, as expected.

Table 7.4: Results of Regression Analysis for employee satisfaction

Regression coefficient (B)	0.022
Standard error (SE)	0.003
t-value	7.039
Significance level (*p*)	0.000
Standardized Coefficient (β)	0.439
Adjusted R^2	0.189
F value	49.552

Source: Survey Results (2010).

Regression analysis was conducted with employee satisfaction as the dependent variable and performance-based compensation as the independent variable. The adjusted R square value is 0.189 and F = 49.552 ($p<0.000$) that reveals the performance-based compensation can predict 18.9 % of the variance in employee satisfaction (See appendix C-1). Regression coefficient (B) was 0.022(0.003) which was significantly different from zero (t = 7.039; p = 0.000) at 1% significance level. Therefore, results of regression analysis support the hypothesis 3(a). Thus null hypothesis is rejected and its alternative hypothesis that provision of performance-based compensation is positively related to higher employee satisfaction is supported.

7.4.2 Hypothesis 3b:

Provision of performance-based compensation is positively related to higher employee commitment.

As far as the third hypothesis (b) is considered, correlation coefficient is 0.271, and the *p- value* for two- tailed test of significance is 0.000. This is significant at the significance level of 1%. From these figures it can be concluded that there is positive relationship between performance-based compensation and employee commitment, as expected.

Table 7.5: Results of Regression Analysis for employee commitment

Regression coefficient (B)	0.030
Standard error (SE)	0.007
t-value	4.044
Significance level (*p*)	0.000
Standardized Coefficient (β)	0.271
Adjusted R^2	0.069
F	16.355

Source: Survey Results (2010).

Regression analysis was conducted with employee commitment as the dependent variable and performance-based compensation as the independent variable. Results show that the adjusted R^2 value is 0.069 and F = 16.355 ($p<0.000$) that reveal performance-based compensation accounts for 6.9 % of the variance in employee commitment. Regression coefficient (B) was 0.030(0.007) which was significantly different from zero (t = 4.044; p = 0.000) at 1% significance level. Null hypothesis related to hypothesis 3(b) is that provision of performance-based compensation is not positively related to higher employee commitment. The *p*- value for beta coefficient of performance-based compensation is 0.000 (See appendix C-2) and this value is significant at 1% significance level. Therefore, results of regression analysis support the hypothesis 3(b). Thus null hypothesis is rejected and its alternative hypothesis that provision of performance-based compensation is positively related to higher employee commitment is supported by my data.

7.4.3 Hypothesis 3c:

Provision of performance-based compensation is positively related to higher employee retention.

As far as hypothesis 3(c) is considered, correlation coefficient was 0.205, and the *p- value* for two- tailed test of significance is less than 0.003 (See appendix C-3). From these figures it can be concluded that there is positive correlation between performance-based compensation and employee retention, as expected.

Table 7.6: Results of Regression Analysis for employee retention

Regression coefficient (B)	0.012
Standard error (SE)	0.004
t-value	3.011
Significance level (*p*)	0.003
Standardized Coefficient (β)	0.205
Adjusted R^2	0.037
F	9.068

Source: Survey Results (2010).

The results of regression analysis show that the adjusted R square value is 0.037 and F = 9.068 ($p<0.003$) that reveal performance-based compensation account for 3.7 % of the variance in employee retention (See appendix C-3).Regression coefficient (B) was 0.012(0.004) which was significantly different from zero (t =3.011; p = 0.003) at 1% significance level. Therefore, results of regression analysis support the hypothesis 3(c). Thus, null hypothesis is rejected and its alternative hypothesis that provision of performance-based compensation is positively related to higher employee retention is supported by my data.

In connection with hypotheses 3(a, b, c), it was observed that results from regression and correlation analysis are same, since I have only one indicator question of performance-based compensation (i.e., standardized coefficient beta which is exactly the same as the correlation coefficient) and I have not controlled for other dependant variables i.e., employee commitment and retention.

7.5 Does provision of compensation and social benefits influence employee satisfaction, commitment and retention?

Hypothesis 4:

Provision of compensation and social benefits is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

7.5.1 Hypothesis 4(a):

Provision of compensation and social benefits is positively related to higher employee satisfaction.

Results of the correlation analysis show that, Pearson correlation coefficient between compensation & social benefits and employee satisfaction is 0.737, and the *p- value* for two-tailed test of significance is less than 0.0005 (See appendix J). This correlation is significant at the significance level of 1% (0.01). Results show that there is a positive correlation between most of the independent variables and employee satisfaction. Correlation coefficients of six independent variables are significant at the significance level of 1% (see appendix D-1).

In connection with hypothesis 4(a), regression analysis was conducted with employee satisfaction as the dependent variable and eleven dimensions of compensation and social benefits as the independent variables. The adjusted R square value is 0.816 and F value is 85.094 that is significant at p=0.000. These figures demonstrate that eleven dimensions of compensation and social benefits variable have significantly explained the 81.6% of the variance in employee satisfaction (See appendix D-1). Regression results show that fair salary (t = 3.130; p = 0.002), performance based compensation (t =3.1873; p = 0.002), sufficient amount of vacation (t = 3.437; p = 0.001), sufficient amount of sick leave (t =11.473; p = 0.000) and criteria used to decide the pay (t =7.336; p = 0.000) emerged as the most significant variables in explaining the variance in employee satisfaction. These values are significant at 1% significance level.

Regarding hypothesis 4(a), the null hypothesis is that, provision of compensation and social benefits is not positively related to higher employee satisfaction. Results of regression analysis support the hypothesis 4(a). Thus null hypothesis is rejected and its alternative hypothesis that provision of compensation and social benefits is positively related to higher employee satisfaction is supported by my data set.

7.5.2 Hypothesis 4(b):

Provision of compensation and social benefits (CSB) is positively related to higher employee commitment (EC).

Table 7.7: Results of Pearson Correlations for dimensions of CSB and EC

No:	Independent variables (dimensions of CSB)	Dependant variable (EC)
1	Available benefits are appropriate for needs of my family	- 0.005
2	Health care paid is sufficient	0.253**
3	Sufficient amount of vacation	0.202**
4	Sufficient amount of sick leave	0.180**
5	Equitable external salary	0.239**
6	Performance based compensation	0.271**
7	Criteria used to decide my pay	0.363**
8	Count on earning more money	-0.036
9	Salary fair for my tasks & responsibilities	0.321**
10	Nice working environment	-0.061
11	flexible working hours	0.016

**. significant at the 0.01 level (2-tailed).

Table 7.7 demonstrates the correlation coefficient for dependant variable i.e., employee commitment and independent variables i.e., eleven dimensions of compensation & social benefits. Results illustrate that there is positive relationship between most of the independent variables and employee commitment. Correlation coefficients of seven independent variables are significant at 1% significance level. The relationship between flexible working hours and employee commitment is positive but not significant at the significance level of 1%.

In connection with hypothesis 4(b), regression analysis was conducted with employee commitment as the dependent variable and eleven dimensions of compensation and social benefits as the independent variables. The adjusted R square value is 0.230 and the F value is 6.654 that is significant at p = 0.000. These numbers reveal that 23 % of total variance in

employee commitment is explained by eleven dimensions of compensation and social benefits (See appendix D-2).

Fair salary (t = 3.651; p = 0.000), equitable external salary (t = 4.607; p = 0.000), sufficient amount of vacation (t = -2.363; p = 0.019), and sufficient amount of sick leave (t =2.617; p = 0.010) emerged as the most significant variables in explaining the variance in employee commitment (see appendix D-2). Results of regression analysis support the hypothesis 4(b) that provision of compensation and social benefits is positively related to higher employee commitment. Thus null hypothesis is rejected and its alternative hypothesis that provision of compensation and social benefits is positively related to higher employee commitment is supported by my data set.

7.5.3 Hypothesis 4(c):

Provision of compensation and social benefits (CSB) is positively related to higher employee retention(ER).

Table 7.8: Results of Pearson Correlations for dimensions of CSB and ER

No:	Independent variables (dimensions of CSB)	Dependant variable (ER)
1	Available benefits are appropriate for needs of my family	-0.101
2	Health care paid is sufficient	0.287**
3	Sufficient amount of vacation	0.330**
4	Sufficient amount of sick leave	0.292**
5	Equitable external salary	0.161*
6	Performance based compensation	0.205**
7	Criteria used to decide my pay	0.278**
8	Count on earning more money	-0.177*
9	Salary fair for my tasks & responsibilities	0.184**
10	Nice working environment	0.023
11	flexible working hours	0.032

**. significant at the 0.01 level (2-tailed).

*. significant at the 0.05 level (2-tailed).

Table 7.8 demonstrates the results of correlation analysis. Pearson correlation coefficients suggest that there is positive relationship between all the independent variables except two variables and employee retention. Six independent variables are significant at the significance level of 1% and two are significant at 5% significance level.

In connection with hypothesis 4(c), regression analysis was conducted with employee retention as the dependent variable and eleven dimensions of compensation and social benefits as the independent variables. The adjusted R square value is 0.189 that reveals 18.9 % of total variance in employee retention is explained by eleven dimensions of compensation and social benefits. Results show that the F value is 5.415 that is significant at p = 0.000, suggesting that eleven dimensions of compensation and social benefits variable have significantly explained the 18.9 % of the variance in employee retention (See appendix D-3).

Count on earning more money (t = -3.155; p = 0.002), criteria used to decide my pay (t =2.480; p = 0.014), sufficient amount of sick leave (t =2.121; p = 0.035), equitable external salary (t = 1.787; p = 0.075), and available benefits are appropriate for needs of my family (t =-1.943; p = 0.053) emerged as the significant variables in explaining the variance in employee retention (see appendix D-3). Regarding hypothesis 4(c), the null hypothesis is that, provision of compensation and social benefits is not positively related to higher employee retention. Results of regression analysis support the hypothesis 4(c). Thus null hypothesis is rejected and its alternative hypothesis that provision of compensation and social benefits is positively related to higher employee retention is supported by my data.

7.6 Does performance evaluation of employees influence employee satisfaction, commitment and retention?

Hypothesis 5:

Performance evaluation of employees is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

7.6.1 Hypothesis 5a:

Performance evaluation of employees is positively related to higher employee satisfaction.

Table 7.9: Results of Pearson Correlations for Employee satisfaction

No:	Independent variables(dimensions of Performance evaluation)	Dependant variable (Employee satisfaction)
1	fair performance appraisal	0.494**
2	written & formal performance appraisal	0.249**
3	understanding of how my performance is evaluated	0.349**
4	Receive feedback of performance evaluation results	0.303**
5	PA is done by the supervisor	0.308**

**. significant at the 0.01 level (2-tailed).

Table 7.9 demonstrates the correlation coefficient for dependant variable i.e., employee satisfaction and independent variables i.e., dimensions of performance evaluation. Pearson correlation coefficients illustrate that there is strong positive relationship between all the independent variables and employee satisfaction at 1% significance level.

In connection with hypothesis 5(a), regression analysis was conducted with employee satisfaction as the dependent variable and five dimensions of performance evaluation as the independent variables. The adjusted R square is 0.288 and the F value is 17.833 that is significant at p = 0.000, that reveals 28.8 % of total variance in employee satisfaction is explained by five dimensions of performance evaluation jointly (See appendix E-1). Regression results show that fair performance appraisal (t = 6.585; p = 0.000), receive feedback of performance evaluation results (t = -2.786; p = 0.006), and performance appraisal is done by the supervisor (t = 2.034; p = 0.043) emerged as the significant variables in explaining the variance in employee satisfaction (see appendix E-1). Fair performance appraisal had the strongest effect on employee satisfaction with a standardized beta of 0.628. Results of regression analysis support the hypothesis 5(a). Thus null hypothesis is rejected and its alternative hypothesis that performance evaluation of employees is positively related to higher employee satisfaction is supported by the data from public sector banks in Sri Lanka.

7.6.2 Hypothesis 5b:

Performance evaluation of employees is positively related to higher employee commitment.

Table 7.10: Results of Pearson Correlations for employee commitment.

No:	Independent variables(dimensions of Performance evaluation)	Dependant variable (Employee commitment)
1	fair performance appraisal	0.211**
2	written & formal performance appraisal	0.060
3	understanding of how my performance is evaluated	-0.082
4	Receives feedback of performance evaluation results	0.157*
5	PA is done by the supervisor	-0.040

**. significant at the 0.01 level (2-tailed).
*. significant at the 0.05 level (2-tailed).

Table 7.10 indicates the results of correlation analysis. Correlation coefficients illustrate that there is positive relationship between three dimensions of performance evaluation and employee commitment. Correlation Coefficient of fair performance appraisal is significant at 1% significance level and receives feedback of performance evaluation results is significant at 5 % significance level.

In connection with hypothesis 5(b), regression analysis was conducted with employee commitment as the dependent variable and five dimensions of performance evaluation as the independent variables. The adjusted R square value is 0.076 and F value is 4.425 (p = 0.001) suggesting that five dimensions of performance evaluation variable have significantly explained the 7.6 % of the variance in employee commitment (See appendix E-2).

Regression results show that fair performance appraisal (t = 2.496; p = 0.013), and understanding of how my performance is evaluated (t = -2.357; p = 0.019) emerged as the significant variables in explaining the variance in employee commitment (see appendix E-2). These values are significant at 5% significance level. Fair performance appraisal had the strongest effect on employee commitment with a standardized beta of 0.271. Regarding hypothesis 5(b), the null

hypothesis is that, performance evaluation is not positively related to higher employee commitment. Results of regression analysis support the hypothesis 5(b). Thus null hypothesis is rejected and its alternative hypothesis that performance evaluation of employees is positively related to higher employee commitment is supported by the data from PSB in Sri Lanka.

7.6.3 Hypothesis 5c:

Performance evaluation of employees is positively related to higher employee retention.

Table 7.11 Results of Pearson Correlations for Employee retention.

No:	Independent variables (dimensions of Performance evaluation)	Dependant variable (Employee retention)
1	fair performance appraisal	0.310**
2	written & formal performance appraisal	0.176*
3	understanding of how my performance is evaluated	0.258**
4	Receives feedback of performance evaluation results	0.315**
5	PA is done by the supervisor	0.063

**. significant at the 0.01 level (2-tailed).

*. significant at the 0.05 level (2-tailed).

Table 7.11 indicates the correlation coefficients for employee retention and five dimensions of performance evaluation. Correlation coefficients show that there is positive relationship between all the independent variables and employee retention. Three independent variables are significant at the significance level of 1% and one is significant at 5% significance level.

In connection with hypothesis 5(c), regression analysis was conducted with employee retention as the dependent variable and five dimensions of performance evaluation as the independent variables. The adjusted R square value is 0.154 that reveals 15.4 % of total variance in employee retention is explained by five dimensions of performance evaluation jointly. Results shows that the F value is 8.594 that is significant at p = 0.000, suggesting that five dimensions of

performance evaluation variable have significantly explained the 15.4 % of variance in employee retention (See appendix E-3).

PA is done by the supervisor shows the highest negative t value (t = -3.523; p = 0.001) which is significant at 1% significance level. Understanding of how my performance is evaluated (t = 3.184; p = 0.002) and receive feedback of performance evaluation results (t = 2.539; p = 0.012) emerged as the significant variables in explaining the variance in employee retention (see appendix E-3). These values are significant at 1% and 5% significance level respectively. Regarding hypothesis 5(c), the null hypothesis is that, performance evaluation is not positively related to higher employee retention. Results of regression analysis support the hypothesis 5(c). Thus null hypothesis is rejected and its alternative hypothesis that performance evaluation of employees is positively related to higher employee retention is supported by the data from public sector banks in Sri Lanka.

7.7 Does employee involvement in decision making influence employee satisfaction, commitment or retention?

Hypothesis 6:

Employee involvement in decision making is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

7.7.1 Hypothesis 6(a):

Employee involvement in decision making is positively related to higher employee satisfaction.

Table 7.12: Results of Regression Analysis

Regression coefficient (B)	0.025
Standard error (SE)	0.003
t-value	8.224
Significance level (*p*)	0.000
Standardized Coefficient (β)	0.496
Adjusted R^2	0.243
F	67.640

Source: Survey Results (2010).

Results of the correlation analysis show that, Pearson correlation coefficient is 0.496, and the *p-value* for two- tailed test of significance is 0.000 (See appendix F-1). This correlation is significant at the significance level of 1%. This figure 0.496, suggests that there is a positive relationship between employee involvement in decision making and employee satisfaction, as expected. .

Results of regression analysis are shown in table 7.12. Regression analysis was conducted with employee satisfaction as the dependent variable and employee involvement in decision making as the independent variable. The adjusted R^2 is 0.243 and F value is 67.640 (p = 0.000) that reveals employee involvement in decision making variable has significantly explained the 24.3% of the variance in employee satisfaction. Regression coefficient (B) is 0.025(0.003) which is significantly different from zero (t = 8.224; p = 0.000) at the 1% significance level. Therefore, results of regression analysis support the sixth hypothesis (a). Thus null hypothesis is rejected and its alternative hypothesis that employee involvement in decision making is positively related to higher employee satisfaction is supported by my data from public banks in Sri Lanka.

7.7.2 Hypothesis 6(b):

Employee involvement in decision making is positively related to higher employee commitment.

Table 7.13: Results of Regression Analysis

Regression coefficient (B)	0.099
Standard error (SE)	0.004
t-value	26.607
Significance level (*p*)	0.000
Standardized Coefficient (β)	0.880
Adjusted R^2	0.773
F	707.926

Source: Survey Results (2010).

In connection with hypothesis 6(b), correlation analysis was conducted with employee commitment as the dependant variable and employee involvement in decision making as the independent variable. Correlation coefficient is 0.880 that is significant at the significance level of 1% (see appendix F-2). This number suggests that there is a strong positive relationship between employee involvement in decision making and employee commitment.

Results of regression analysis show that the adjusted R^2 is 0.773 and F =707.926 (p=0.000). These figures reveal that 77.3 % of total variance in employee commitment is explained by employee involvement in decision making variable. Regression coefficient (B) was 0.099(0.004) which was significantly different from zero (t =26.607; p = 0.000) at 1% significance level. Therefore, results of regression analysis support the sixth hypothesis (b). Thus null hypothesis is rejected and its alternative hypothesis that employee involvement in decision making is positively related to higher employee commitment is supported by my data set.

7.7.3 Hypothesis 6(c):

Employee involvement in decision making is positively related to higher employee retention.

Table 7.14: Results of Regression Analysis

Regression coefficient (B)	0.013
Standard error (SE)	0.004
t-value	3.468
Significance level (*p*)	0.001
Standardized Coefficient (β)	0.234
Adjusted R^2	0.050
F	12.025

Source: Survey Results (2010).

In connection with hypothesis 6(c), correlation analysis was conducted with employee retention as the dependant variable and employee involvement in decision making as the independent variable. Results of the correlation analysis show that correlation coefficient between employee involvement in decision making and employee retention is 0.234, and the *p- value* for two- tailed test of significance is 0.001 (see appendix F-3). This figure suggests that there is a positive relationship between employee involvement in decision making and employee retention as expected.

Results of linear regression analysis show that the adjusted R square value is 0.050 and F value is 12.025 that is significant at p = 0.001.This reveals 5 % of total variance in employee retention is explained by employee involvement in decision making variable (see appendix F-3). Regression coefficient (B) was 0.013(0.004) which was significantly different from zero (t =3.468; p = 0.001) at the 1% significance level. Therefore, results of regression analysis support the sixth hypothesis (c). Thus null hypothesis is rejected and its alternative hypothesis that employee involvement in decision making is positively related to higher employee retention is supported by my data.

In connection with hypotheses 6 (a, b, c), it was observed that results from regression and correlation analysis are same (i.e., standardized coefficient beta which is exactly the same as the correlation coefficient), since I have only one indicator question of employee involvement in decision making.

7.8: Does Well-functioning grievances handling system influence employee satisfaction, commitment and retention?

Hypothesis 7:

Well-functioning grievances handling system is positively related to higher a) employee satisfaction b) employee commitment and c) employee retention.

7.8.1 Hypothesis 7(a):

Well-functioning grievances handling system is positively related to higher employee satisfaction.

Table 7.15 Results of Pearson Correlations for Employee satisfaction.

No:	Independent variables(dimensions of Grievances handling)	Dependant variable (Employee satisfaction)
1	Clear & formal procedures for GH	-0.020
2	Supervisor handles work-related issues satisfactorily	-0.049
3	Availability of supervisor	-0.012
4	supervisor delegates work effectively	-0.127

Table 7.15 indicates the correlation coefficients for dependant variable i.e., employee satisfaction and independent variables i.e., four dimensions of grievances handling. Results of correlation analysis demonstrate that there is negative relationship between all the independent variables and employee satisfaction. From these numbers, it is concluded that there is an unexpected negative correlation between grievances handling system of PBS in Sri Lanka and employee satisfaction, but that this finding is very uncertain.

In connection with hypothesis 7(a), regression analysis was conducted with employee retention as the dependent variable and four dimensions of grievances handling as the independent variables. The adjusted R square value is 0.025 that reveals that 2.5 % of total variance in employee satisfaction is explained by four dimensions of grievances handling jointly. Results

shows that the F value is 2.338 (p = 0.057), suggesting that four dimensions of grievances handling have significantly explained the 2.5 % of variance in employee satisfaction at 10 % significance level. Supervisor delegates work effectively is significant at 1% significance level with negative t value (t = -2.892; p = 0.004). Availability of supervisor (t = 1.785; p = 0.076) emerged as the significant variable in explaining the variance in employee satisfaction at 10% significance level (see appendix G-1). Regarding hypothesis 7(a), the null hypothesis is that, grievances handling is not positively related to higher employee satisfaction. Results of regression analysis do not support the hypothesis 7(a). Thus null hypothesis is not rejected but its alternative hypothesis that grievances handling system of PBS in Sri Lanka is positively related to higher employee satisfaction is rejected. Therefore, collected data from employees through structured questionnaire does not support the alternative hypothesis that grievances handling system of PSB in Sri Lanka is positively related to higher employee satisfaction in public sector banks in Sri Lanka.

7.8.2 Hypothesis 7b:

Well-functioning grievances handling system is positively related to higher employee commitment.

Table 7.16 Results of Pearson Correlations for Employee commitment.

No:	Independent variables(dimensions of Grievances handling)	Dependant variable (Employee commitment)
1	Clear & formal procedures for GH	-0.039
2	Supervisor handles work-related issues satisfactorily	-0.101
3	Availability of supervisor	-0.130
4	supervisor delegates work effectively	- 0.193**

**. Significant at the 0.01 level (2-tailed).

Pearson correlation coefficients illustrate that there is negative relationship between all dimensions of grievance s handling and employee commitment. From these numbers it is

concluded that there is an unexpected negative correlation between grievances handling system of PBS in Sri Lanka and employee commitment, but that this finding is very uncertain.

In connection with hypothesis 7(b), regression analysis was conducted with employee retention as the dependent variable and four dimensions of grievances handling as the independent variables. Results show that F value is 3.044 (p = 0.018) and the adjusted R^2 is 0.038. These figures reveal that four dimensions of grievances handling have significantly explained the 3.8 % of variance in employee commitment (See appendix G-2).

Supervisor delegates work effectively (t = -2.757; p = 0.006) that is significant at 1% significance level, shows negative t value. Results of regression analysis do not support the hypothesis 7(b). Thus null hypothesis is not rejected but its alternative hypothesis that grievances handling system of PBS in Sri Lanka is positively related to higher employee commitment is rejected. Therefore, collected data from employees through structured questionnaire does not support the alternative hypothesis that grievances handling system of PSB in Sri Lanka is positively related to higher employee commitment in public sector banks in Sri Lanka.

7.8.3 Hypothesis 7c:

Well-functioning grievances handling system is positively related to higher employee retention.

Table 7.17 Results of Pearson Correlations for Employee retention.

No:	Independent variables(dimensions of Grievances handling)	Dependant variable (Employee retention)
1	Clear & formal procedures for GH	-0.101
2	Supervisor handles work-related issues satisfactorily	-0.117
3	Availability of supervisor	-0.111
4	supervisor delegates work effectively	-0.152*

*. Significant at the 0.05 level (2-tailed).

Results of correlation analysis illustrate that there is negative relationship between all independent variables and employee retention. From these numbers it is concluded that there is an unexpected negative correlation between grievances handling system of PBS in Sri Lanka and employee retention, but that this finding is very uncertain.

In connection with hypothesis 7(c), regression analysis was conducted with employee retention as the dependent variable and four dimensions of grievances handling as the independent variables. Results show that the F value is 1.236 ($p = 0.297$) (See appendix G-3). Regarding hypothesis 7(c), the null hypothesis is that, grievances handling is not positively related to higher employee retention. Results of regression analysis do not support the hypothesis 7(c), therefore, null hypothesis is not rejected but its alternative hypothesis that grievances handling system of PBS in Sri Lanka is positively related to higher employee retention is rejected. That is, collected data from employees through structured questionnaire does not support the alternative hypothesis that grievances handling system of PSB in Sri Lanka is positively related to higher employee retention in public sector banks in Sri Lanka.

7.9 Hypotheses related to bank performance

In the chapter 3, ten hypotheses were made and seven hypotheses from them were tested in this chapter. Hypothesis eight was tested and it is included in the chapter 8. However, I was unable to test hypotheses nine and ten due to lack of data for the bank performance indicators needed. Structured questionnaire was made to collect data from key informants of two banks for testing both of these nine and ten hypotheses. It turn out that I was unable to get answers for the bank performance data. Therefore, the following two hypotheses could not be tested due to lack of data.

Hypothesis 9:

The intensity use of specified HRM practices is positively related to better bank performance.

Hypothesis 10:

Better HRM outcomes achieved by Sri Lankan public sector banks, will lead to better bank performance.

CHAPTER 8

Impact of HRM Practices on HR outcomes

8.1 Introduction

This chapter is devoted for testing the influence of pre-specified bundles of HRM practices on HRM outcomes i.e., employee satisfaction, commitment or retention. Regression analysis was conducted to test the influence of pre-specified bundles of HRM practices on HRM outcomes in PSB in Sri Lanka. In the regression analysis, three HR outcomes were regarded as the dependant variables and dimensions of pre-specified HRM practices used as the independent variables.

In this study, recruitment & selection practice was measured by using six items (questions), four items were used to measure three HR practices i.e., training and development, grievances handling and promotion practice. Five items were used to measure performance evaluation and Compensation and Social benefits practice was measured by eleven items. When some concepts are measured by several items (questions), the items can be summarized to calculate the mean values. This is called calculating total scale scores. To conduct the analysis and to test the hypothesis 8, total scale score was calculated for each HRM practices. Many statistical methods, in particular, the parametric ones presumes a (at least, approximate) normal distribution of the variables. That is, for the purpose of using parametric statistics (e.g., Pearson correlation, ANOVA) and regression analysis, normal distribution of variables is needed. Hence, the variables were transformed by using functions such as Log10 for normal distribution of variables. The transformed total scale scores of each HRM practices were used as the independent variables to conduct the analysis and to test the hypothesis.

In this chapter, I have used shorthand for indicating the HRM practices variables. That is, *Transformed RS* is shorthand for Recruitment and Selection, *Transformed TD* is shorthand for Training and Development, *Transformed PA* is shorthand for Performance Appraisal, *Transformed PR* is shorthand for Promotion, *Transformed CSB* is shorthand for Compensation and Social benefits, and *Transformed GH* is shorthand for Grievances Handling.

8.2 Do pre-specified bundles of HRM practices of PSB in Sri Lanka influence employee satisfaction, commitment or retention?

Hypothesis 8:

A higher intensity of using pre-specified bundles of HRM practices is positively related to better a) employee satisfaction b) employee retention and c) employee commitment.

8.2.1 Hypothesis 8a:

A higher intensity of using pre-specified bundles of HRM practices is positively related to better employee satisfaction.

Table 8.1: Results of Regression Analysis for employee satisfaction – Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.026	.095		.269	.789
	Transformed RS	.080	.030	.120	2.641	.009
	Transformed TD	.088	.027	.151	3.193	.002
	Transformed PA	.117	.024	.221	4.956	.000
	Transformed PR	-.015	.038	-.017	-.399	.690
	Transformed CSB	.723	.052	.655	13.874	.000
	Transformed GH	-.015	.016	-.042	-.980	.328

Regression analysis was conducted with employee satisfaction as the dependant variable and six HRM practices as the independent variables to PSB in Sri Lanka. Results of regression analysis (see appendix H-1) indicate that much of the variation in the dependant variable is explained with adjusted R^2 of 0.623 and a F-value 58.242 ($p<0.001$) with six independent variables: i.e., Recruitment & selection, Training & Development, Performance Appraisal, Promotion, Compensation & Social benefits and Grievances handling. Adjusted R^2 of 0.623 reveals that 62.3% of total variance of employee satisfaction is explained by pre-specified bundles of HRM practices.

According to the table 8.1, compensation & social benefits (t = 13.874; p = 0.000), performance appraisal (t = 4.956; p = 0.0000), training & development (t = 3.193; p = 0.002), and recruitment & selection practice (t = 2.641; p = 0.009) emerged as the most significant variables in explaining the variance in employee satisfaction. Promotion and grievances handling practices are insignificant variables in explaining the variance in employee satisfaction. It is of interest to note that only four dimensions of HRM practices emerged as significant predictors of employee satisfaction in the case of PSB in Sri Lanka, and that they have the expected sign. They are compensation & social benefits, performance appraisal, training & development and recruitment & selection. Compensation and social benefits had the strongest effect on employee satisfaction with a standardized beta of 0.655. Therefore, results of regression analysis support the hypothesis 8(a) that a higher intensity of using pre-specified bundles of HRM practices is positively related to better employee satisfaction in PSB in Sri Lanka. Hence, the null hypothesis is rejected and its alternative hypothesis that pre-specified bundles of HRM practices is positively related to better employee satisfaction is supported by my data set.

8.2.2 Hypothesis 8b:

A higher intensity of using pre-specified bundles of HRM practices are positively related to better employee commitment.

Table 8.2: Results of Regression Analysis for employee commitment – Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.289	.293		-4.401	.000
	Transformed RS	.386	.093	.261	4.158	.000
	Transformed TD	.262	.084	.202	3.100	.002
	Transformed PA	-.071	.073	-.060	-0.977	.330
	Transformed PR	.092	.116	.047	0.790	.431
	Transformed CSB	.891	.161	.360	5.546	.000
	Transformed GH	-.113	.048	-.140	-2.363	.019

Regression analysis which was conducted on employee commitment as the dependant variable and six HRM practices as the independent variables: recruitment & selection, training & development, performance appraisal, promotion, compensation & social benefits and grievances handling to PSB in Sri Lanka. Results of regression analysis indicate that much of the variation in the dependant variable is explained with adjusted R^2 of 0.288 and a F-value 15.005 ($p<0.001$) with six independent variables (see appendix H-2).This figure reveals that 28.8 % of total variance of employee commitment is explained by pre-specified bundles of HRM practices.

According to the table 8.2, compensation & social benefits ($t = 5.546$; $p = 0.000$), recruitment & selection ($t = 4.158$; $p = 0.000$), and training & development practices ($t = 3.100$; $p = 0.002$) emerged as the significant variables in explaining the variance in employee commitment. Results show that grievance handling is significant at 2% significance level with an unexpected sign. Promotion and performance appraisal practices are insignificant variables in explaining the variance in employee commitment. It is of interest to note that only three dimensions of HRM practices emerged as the predictor of employee commitment in the case of PSB in Sri Lanka and that they have the expected sign. Compensation and social benefits had the strongest effect on employee commitment with a standardized beta of 0.36. Results of regression analysis support the eight hypotheses (b) that a higher intensity of using pre-specified bundle of HRM practices is positively related to better employee commitment in PSB in Sri Lanka. Hence, the null hypothesis is rejected and its alternative hypothesis that pre-specified bundles of HRM practices is positively related to better employee commitment is supported by my data set.

8.2.3 Hypothesis 8(c):

A higher intensity of using pre-specified bundles of HRM practices is positively related to better employee retention.

Table 8.3: Results of Regression Analysis for employee retention – Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.812	.163		4.986	.000
	Transformed RS	.072	.052	.096	1.405	.162
	Transformed TD	.079	.047	.119	1.675	.096
	Transformed PA	.132	.041	.218	3.253	.001
	Transformed PR	-.016	.064	-.017	-.256	.798
	Transformed CSB	.292	.089	.231	3.269	.001
	Transformed GH	-.041	.027	-.100	-1.544	.124

Regression analysis which was conducted on employee retention as the dependant variable and six HRM practices as the independent variables: Recruitment & selection, Training & Development, Performance Appraisal, Promotion, Compensation & Social benefits and Grievances handling to PSB in Sri Lanka. Results of regression analysis indicate adjusted R^2 of 0.153 and a F-value 7.265 ($p<0.001$) with six independent variables (see appendix H-3). Adjusted R^2 of 0.153 reveals that 15.3 % of total variance of employee retention is explained by pre-specified bundles of HRM practices. That is six independent variables in the model account for 15.3% of total variance in dependant variable: employee retention.

According to the table 8.3, Compensation & social benefits ($t = 3.269$; $p = 0.001$) and performance appraisal ($t = 3.253$; $p = 0.001$) emerged as the most significant variables in explaining the variance in employee retention. These two practices are significant at 1% significance level. In addition, training & development practice ($t = 1.675$; $p = 0.096$) is significant at 10% significant level. Promotion, grievances handling, recruitment & selection practices are insignificant variables in explaining the variance in employee retention in PSB in Sri Lanka. It is of interest to note that only three dimensions of HRM practices emerged as the predictors of employee retention in the case of PSB in Sri Lanka. They are Compensation & social benefits, performance appraisal, and training & development. Compensation and social

benefits had the strongest effect on employee retention with a standardized beta of 0.231. Therefore, results of regression analysis support the hypothesis 8(c) that a higher intensity of using pre-specified bundle of HRM practices is positively related to higher employee retention in PSB in Sri Lanka. Hence, the null hypothesis is rejected and its alternative hypothesis that pre-specified bundles of HRM practices is positively related to better employee retention is supported by my data set.

8.3 Results for regression analysis of employee satisfaction, commitment or retention when accounting for six HRM practices and demographics.

8.3.1 Results for regression analysis of employee satisfaction when accounting for six HRM practices and demographics.

In this part of regression analysis excluded categories picked up by the constant term are men, married, age 51or older and GCE A/L.

Recruitment & selection, performance appraisal and compensation & social benefits practices emerged as significant variables in explaining the variance in employee satisfaction at 1% significance level. Compensation and social benefits had the strongest effect on employee satisfaction with a standardized beta of 0.550. From the figures in table 8.4, it can be concluded that demographic variables of degree is significant at 1% significance level with positive sign and diplomas and unmarried are significant at 1% and 5% significance level with negative sign respectively. It is of interest to note that only three demographics variables emerged as the predictors of employee satisfaction of PSB in Sri Lanka. Results show that unmarried persons have lower satisfaction. Persons with educational category degree have higher satisfaction, and persons with diplomas education have lower satisfaction. Furthermore, Table 8.4 compared to table 8.1: Transformed TD i.e., training and development is no longer significant when the analysis control for demographics (beta = 0.035).

Table 8.4 Results for regression analysis of employee satisfaction when accounting for six HRM practices and demographics.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.282	.102		2.765	.006
	Transformed RS	.086	.032	.130	2.654	.009
	Transformed TD	.021	.029	.035	.697	.486
	Transformed PA	.112	.024	.211	4.663	.000
	Transformed PR	-.004	.035	-.005	-.126	.900
	Transformed CSB	.607	.053	.550	11.528	.000
	Transformed GH	-.020	.015	-.055	-1.351	.178
	Women	.003	.004	.034	.696	.487
	unmarried	-.012	.006	-.100	-2.107	.036
	21-30 age group	-.008	.006	-.069	-1.252	.212
	31-40 age group	-.006	.005	-.067	-1.177	.241
	41-50 age group	-.006	.005	-.067	-1.166	.245
	under 21 age group	.011	.009	.051	1.194	.234
	GCE O/L	.004	.004	.052	1.096	.275
	Degree	.033	.010	.162	3.377	.001
	Diplomas	-.020	.005	-.192	-4.173	.000

a. Dependent Variable: Transformed ES

Results of regression analysis indicate adjusted R^2 of 0.696 and the F-value 32.794 ($p<0.001$) when accounting for six HRM practices and demographics That is, six HRM practices and demographics variables account for 69.6% of total variance in employee satisfaction (see appendix I-1).

8.3.2 Results for regression analysis of employee commitment when accounting for six HRM practices and demographics

Recruitment & selection, compensation & social benefits and grievances handling practices emerged as significant variables in explaining the variance in employee commitment at 1% significance level. Grievances handling practice has negative t value (t = 0 -2.984, p = .003).

Recruitment and selection had the strongest effect on employee commitment with a standardized beta of 0.288. From the figures in table 8.4, it can be concluded that demographic variables of GCE O/L and degree are is significant at 1% and 5% significance levels with positive sign respectively and unmarried is significant at 5% significance level with negative sign (see table 8.5). It is of interest to note that only three demographics variables emerged as the significant creators of variance in employee commitment of PBS in Sri Lanka. Results show that unmarried persons have lower commitment than married. Furthermore, table 8.5 compared to table 8.1: Transformed TD i.e., training and development is no longer significant when the analysis control for demographics (beta = 0.090).

Table 8.5 Results for regression analysis of employee commitment when accounting for six HRM practices and demographics.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.585	.328		-1.784	.076
	Transformed RS	.427	.104	.288	4.091	.000
	Transformed TD	.116	.095	.090	1.229	.221
	Transformed PA	-.087	.077	-.073	-1.127	.261
	Transformed PR	.127	.111	.066	1.142	.255
	Transformed CSB	.509	.169	.206	3.008	.003
	Transformed GH	-.140	.047	-.173	-2.984	.003
	Women	.016	.013	.085	1.230	.220
	unmarried	-.043	.018	-.160	-2.349	.020
	21-30 age group	-.007	.019	-.028	-.354	.724
	31-40 age group	.023	.017	.113	1.382	.168
	41-50 age group	-.003	.016	-.017	-.211	.833
	under 21 age group	.033	.029	.069	1.132	.259
	GCE O/L	.037	.013	.200	2.926	.004
	Degree	.075	.031	.167	2.424	.016
	Diplomas	-.020	.015	-.087	-1.324	.187

a. Dependent Variable: Transformed EC

Results of regression analysis indicate adjusted R^2 of 0.376 and the F-value 9.362 ($p<0.001$) when accounting for six HRM practices and demographics That is, six HRM practices and demographics variables account for 37.6% of total variance in employee commitment (see appendix I-2).

8.3.3 Results for regression analysis of employee retention when accounting for six HRM practices and demographics

Performance appraisal and compensation & social benefits practices emerged as significant variables in explaining the variance in employee retention at 5% and 10% significance levels respectively. From the figures in table 8.4, it can be concluded that demographic variables of women, unmarried and degree are significant at 1% and 5% significance levels. It is of interest to note that only three demographics variables emerged as the significant creators of variance in employee retention of PBS in Sri Lanka. Women had the strongest effect on employee retention with a standardized beta of 0.232 (see table 8.6). Furthermore, table 8.5 compared to table 8.1: Transformed TD i.e., training and development is no longer significant when the analysis control for demographics (beta = 0.090).

Table 8.6 Results for regression analysis of employee retention when accounting for six HRM practices and demographics.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.118	.189		5.909	.000
	Transformed RS	-.008	.060	-.010	-.130	.897
	Transformed TD	.078	.055	.117	1.422	.157
	Transformed PA	.092	.045	.152	2.062	.041
	Transformed PR	-.008	.064	-.008	-.122	.903
	Transformed CSB	.185	.098	.147	1.894	.060
	Transformed GH	-.040	.027	-.097	-1.478	.141
	Women	.022	.007	.232	2.962	.003
	unmarried	.021	.011	.157	2.040	.043
	21-30 age group	-.013	.011	-.105	-1.177	.240
	31-40 age group	-.004	.010	-.039	-.425	.671
	41-50 age group	-.004	.009	-.044	-.474	.636
	under 21 age group	.001	.017	.003	.047	.963
	GCE O/L	.008	.007	.086	1.119	.264
	Degree	.037	.018	.162	2.073	.040
	Diplomas	-.003	.009	-.023	-.305	.760

a. Dependent Variable: Transformed ER

Results of regression analysis indicate adjusted R^2 of 0.2 and the F-value 4.463 ($p<0.001$) when accounting for six HRM practices and demographics That is, six HRM practices and demographics variables account for 20% of total variance in employee retention (see appendix I-3).

CHAPTER 9

Discussion and Conclusion

9.1 Introduction

This study was conducted in two public sector banks in Sri Lanka. The purposes of this study were to examine the relationship between HRM practices and HR outcomes of public sector banks and to explore the impact of HRM practices and HRM outcomes on performance of public sector banks in Sri Lanka. To carry out this study, first I identified a set of HR practices presented in relevant research literature. Then, these set of HRM practices were used to formulate the conceptual framework that links HRM practices, HR outcomes and bank performance. Two structured questionnaires were made to collect data from employees and key informants of two public sector banks in Sri Lanka. Ten hypotheses were made and eight were tested in this study. However, two of them could not be tested due to lack of data for the bank performance indicators needed.

The hypotheses presented in chapter three were empirically rested on a sample of 209 employees who are working in different departments of different branches of two public sector banks in Sri Lanka by using the correlation analysis and multiple regression analysis. The research findings empirically confirm some of the theoretical arguments presented in the literature.

9.2 Discussion and conclusion

The sample indicated that the age of 35.4% of respondents are in the range of 41-50 years and 78.4% of the respondents have more than ten years experience. Majority of respondents are male. 86.6 % are married respondents and 43.5% of the respondents are General Certificate in Education (Advanced level) qualified.

The summary of the results of hypotheses which were tested in this study is presented in Table 9.1. It shows that collected data does not support the alternative hypotheses of first and seventh hypotheses. The data supported for the remaining of six hypotheses stated in chapter three.

Table 9.1: Summary of results of tested hypotheses

Hypothesis	Alternative hypothesis is supported	Null hypothesis is rejected
1a		No
1b		No
1c		No
2a	Yes	
2b	Yes	
2c	Yes	
3a	Yes	
3b	Yes	
3c	Yes	
4a	Yes	
4b	Yes	
4c	yes	
5a	Yes	
5b	Yes	
5c	yes	
6a	Yes	
6b	Yes	
6c	yes	
7a		No
7b		No
7c		No
8a	yes	
8b	yes	
8c	yes	
9 (a, b, c)	Not tested	
10 (a, b, c)	Not tested	

The results of this study revealed that bundles of HRM practices are positively related to better employee satisfaction. This result is consistent with Jackson &Schuler, (1992); Eskildsen & Nussier, (2000); Boselie &Wieles, (2002). This means that effective HRM practices lead to employee satisfaction. Results revealed that only four dimensions of HRM practices emerged as the predictors of employee satisfaction in the case of PSB in Sri Lanka. These practices include compensation & social benefits, performance appraisal, training & development and recruitment & selection. Compensation and social benefits had the strongest significant effect on employee satisfaction. When considering the HR practices in the model, it indicated that 62.3% of the variance in employee satisfaction is explained by the six HR practices.

This study found that bundles of HRM practices are also positively related to better employee commitment. This result supports the previous research findings such as, Lles, Mabey & Robertson, (1990); Graetner & Nollen, (1992); Meyer & Allen, (1997); Ulrich, (1998); Meyer & smith; (2000);Guest, (2002). However, for PSB in Sri Lanka three HRM dimensions determine the employee commitment. Compensation and social benefits had the strongest significant effect on employee commitment. When considering the HR practices in the model, it revealed that 28.8% of variance of employee commitment is explained by six HRM practices jointly. Compensation & social benefits, recruitment & selection, and training & development practices emerged as the significant variables in explaining the variance in employee commitment.

Multiple regression analysis suggested that three out of six HRM practices namely compensation & social benefits, performance appraisal, and training & development were found to be explanatory factors having significant effect on employee retention of Sri Lankan public sector banks. Compensation and social benefits had the strongest significant effect on employee retention of PSB in Sri Lanka. Six HR practices in the model jointly account for 15.3% of total variance in employee retention.

Hence, this study identifies that HRM practices impact significantly on employee satisfaction, commitment and employee retention. It is of interest to note that compensation and social benefits practice had the strongest significant effect on determining the employee satisfaction, commitment and retention of PSB in Sri Lanka.

Results of regression analysis did not support the hypotheses 1(a) that job advertisement in news papers lead to higher employee satisfaction, 1(b) that job advertisement in news papers lead to higher employee commitment and 1(c) that job advertisement in news papers lead to higher employee retention.

Findings of this study show that providing training for employees is positively related to higher employee satisfaction, employee commitment and higher employee retention**.** Evidences from the previous research also suggested that firms with superior training programs are likely to experience lower staff turnover than companies that neglect staff development (Arthur, 1994; Fey et al., 1999) and also, more investment in training and employee development is positively related to reduce the employees' intention to leave the organization (Harel and Tzafrir, 1996; Lee and Bruvold, 2003; Arago´n-Sa´nchez et al., 2003). In addition, this study found that provision of performance-based compensation is positively related to higher employee satisfaction, employee commitment and employee retention. This result supports the previous research findings of Arthur, (1994); Huselid, (1995); MacDuffie, (1995); Delery and Doty, (1996).

The results of this study revealed that provision of compensation and social benefits is positively related to higher employee satisfaction. Five out of eleven indicators of compensation & social benefits were found to be explanatory factors having significant effects on employee satisfaction. Results of regression analysis supported the hypothesis that provision of compensation and social benefits is positively related to higher employee commitment as well as employee retention.

Results of regression analysis supported the hypotheses that performance evaluation is positively related to higher employee satisfaction, commitment and retention of public sector banks in Sri Lanka. This result supports the previous research findings such as, employee commitment and productivity can be improved with performance appraisal systems (Brown and Benson, 2003). This study found that employee involvement in decision making is positively related to higher HR outcomes i.e., employee satisfaction, commitment, and retention.

Findings of this study do not support the hypotheses that grievances handling system of PSB in Sri Lanka is positively related to higher employee satisfaction, commitment and retention.

9.3 Limitations and Future research

The purposes of this study were to examine the relationship between HRM practices and HR outcomes of public sector banks and to explore the impact of HRM practices and HRM outcomes on performance of public sector banks in Sri Lanka. Ten Hypotheses were made but I was unable to test hypotheses nine and ten due to lack of data for the bank performance indicators needed. Hence, it turn out that I was unable to get answers for the bank performance data. Therefore, hypotheses which related to HRM practices and bank performance and HR outcomes and bank performance could not be tested in this study. This can be seen as the major limitation of this study.

A few scholars have studied the impact of HRM practices on performance in the banking industry. Very few researchers have addressed the HRM practices and their outcomes in public sector banks in Sri Lanka and none of the study HRM practices, their outcomes and impact of HRM practices on performance of public sector banks in Sri Lanka. Therefore, this study addressed this gap in the literature in relation to public sector banking industry in Sri Lanka. Findings of this study will be helpful to describe what HRM practices are positively related with HR outcomes i.e., employee satisfaction, employee commitment of public sector banks in Sri Lanka. Hence, findings of this research will be helpful to managers to examine the success of HR practices which are currently implemented by them and to identify HRM outcomes of them. Further more, managers of banks can make necessary changes of currently used HR practices to minimize the negative impact of HR outcomes. Hence, suggestions are provided for bank managers to look at the HRM practices and impact of HR practices on HR outcomes. Further research can be conducted t o examine the impact of HR practices on bank performance. Future researches can be done in connection with private sector banks in Sri Lanka. In addition, research can be done to compare the impact of HR practices on bank performance between private and public sector banks in Sri Lanka.

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APPENDICES

Appendix A-1

Hypothesis 1(a)

Job advertisements in news papers lead to higher employee satisfaction

Correlations

		Transformed ES	Job advertisement
Transformed ES	Pearson Correlation	1.000	.031
	Sig. (2-tailed)		.654
	N	209.000	209
Job advertisement	Pearson Correlation	.031	1.000
	Sig. (2-tailed)	.654	
	N	209	209.000

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.031[a]	.001	-.004	.04083

a. Predictors: (Constant), Job advertisement

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.202	.654[a]
	Residual	.345	207	.002		
	Total	.345	208			

a. Predictors: (Constant), Job advertisement

b. Dependent Variable: Transformed ES

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.493	.020		73.245	.000
	Job advertisement	.017	.037	.031	.449	.654

a. Dependent Variable: Transformed ES

Appendix A-2:

Hypothesis 1(b)

Job advertisements in news papers lead to higher employee commitment.

Correlations

		Job advertisement	Transformed EC
Job advertisement	Pearson Correlation	1.000	.018
	Sig. (2-tailed)		.797
	N	209.000	209
Transformed EC	Pearson Correlation	.018	1.000
	Sig. (2-tailed)	.797	
	N	209	209.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	1	.001	.066	.797[a]
	Residual	1.736	207	.008		
	Total	1.736	208			

a. Predictors: (Constant), Job advertisement

b. Dependent Variable: Transformed EC

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.838	.046		18.321	.000
	Job advertisement	.021	.083	.018	.257	.797

a. Dependent Variable: Transformed EC

Appendix A-3:

Hypothesis 1(c)

Job advertisements in news papers lead to higher employee retention.

Correlations

		Job advertisement	Transformed ER
Job advertisement	Pearson Correlation	1.000	-.024
	Sig. (2-tailed)		.729
	N	209.000	209
Transformed ER	Pearson Correlation	-.024	1.000
	Sig. (2-tailed)	.729	
	N	209	209.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.121	.729[a]
	Residual	.451	207	.002		
	Total	.451	208			

a. Predictors: (Constant), Job advertisement

b. Dependent Variable: Transformed ER

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.577	.023		67.644	.000
	Job advertisement	-.015	.042	-.024	-.348	.729

a. Dependent Variable: Transformed ER

Appendix B-1

Hypothesis 2(a)

Providing training for employees is positively related to higher employee satisfaction.

Correlations

		TD- Opportunities to learn & grow	TD- Geting training needed to do job well	TD- Training for promotion	TD- Training match with the job	Transformed ES
TD- Opportunities to learn & graw	Pearson Correlation	1.000	.417**	.646**	.066	.261**
	Sig. (2-tailed)		.000	.000	.346	.000
	N	209.000	209	209	209	209
TD-Geting training needed to do job well	Pearson Correlation	.417**	1.000	.388**	.094	.360**
	Sig. (2-tailed)	.000		.000	.176	.000
	N	209	209.000	209	209	209
TD-Training for promotion	Pearson Correlation	.646**	.388**	1.000	.152*	.233**
	Sig. (2-tailed)	.000	.000		.028	.001
	N	209	209	209.000	209	209
TD-Training match with the job	Pearson Correlation	.066	.094	.152*	1.000	.090
	Sig. (2-tailed)	.346	.176	.028		.194
	N	209	209	209	209.000	209
Transformed ES	Pearson Correlation	.261**	.360**	.233**	.090	1.000
	Sig. (2-tailed)	.000	.000	.001	.194	
	N	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.385[a]	.149	.132	.03797

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.051	4	.013	8.896	.000[a]
	Residual	.294	204	.001		
	Total	.345	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.403	.020		71.223	.000
	TD- Opportunities to learn & grow	.006	.005	.108	1.244	.215
	TD-Getting training needed to do job well	.016	.004	.295	4.081	.000
	TD-Training for promotion	.002	.004	.041	.473	.637
	TD-Training match with the job	.003	.004	.049	.751	.454

a. Dependent Variable: Transformed ES

Appendix B-2

Hypothesis 2(b)

Providing training for employees is positively related to higher employee commitment.

Correlations

		TD-Opportunities to learn & grow	TD-Getting training needed to do job well	TD-Training for promotion	TD-Training match with the job	Transformed EC
TD-Opportunities to learn & graw	Pearson Correlation	1.000	.417**	.646**	.066	.333**
	Sig. (2-tailed)		.000	.000	.346	.000
	N	209.000	209	209	209	209
TD-Geting training needed to do job well	Pearson Correlation	.417**	1.000	.388**	.094	.159*
	Sig. (2-tailed)	.000		.000	.176	.022
	N	209	209.000	209	209	209
TD-Training for promotion	Pearson Correlation	.646**	.388**	1.000	.152*	.408**
	Sig. (2-tailed)	.000	.000		.028	.000
	N	209	209	209.000	209	209
TD-Training match with the job	Pearson Correlation	.066	.094	.152*	1.000	.072
	Sig. (2-tailed)	.346	.176	.028		.303
	N	209	209	209	209.000	209
Transformed EC	Pearson Correlation	.333**	.159*	.408**	.072	1.000
	Sig. (2-tailed)	.000	.022	.000	.303	
	N	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.419[a]	.175	.159	.08377

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.305	4	.076	10.851	.000[a]
	Residual	1.432	204	.007		
	Total	1.736	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.690	.043		15.878	.000
	TD- Opportunities to learn & graw	.016	.011	.127	1.484	.139
	TD-Geting training needed to do job well	-.003	.009	-.025	-.356	.722
	TD-Training for promotion	.031	.008	.333	3.907	.000
	TD-Training match with the job	.002	.008	.015	.232	.817

a. Dependent Variable: Transformed EC

Appendix B-3

Hypothesis 2(c)

Providing training for employees is positively related to higher employee retention.

Correlations

		TD-Opportunities to learn & grow	TD-Getting training needed to do job well	TD-Training for promotion	TD-Training match with the job	Transformed ER
TD-Opportunities to learn & graw	Pearson Correlation	1.000	.417**	.646**	.066	.192**
	Sig. (2-tailed)		.000	.000	.346	.005
	N	209.000	209	209	209	209
TD-Geting training needed to do job well	Pearson Correlation	.417**	1.000	.388**	.094	.083
	Sig. (2-tailed)	.000		.000	.176	.234
	N	209	209.000	209	209	209
TD-Training for promotion	Pearson Correlation	.646**	.388**	1.000	.152*	.223**
	Sig. (2-tailed)	.000	.000		.028	.001
	N	209	209	209.000	209	209
TD-Training match with the job	Pearson Correlation	.066	.094	.152*	1.000	.024
	Sig. (2-tailed)	.346	.176	.028		.728
	N	209	209	209	209.000	209
Transformed ER	Pearson Correlation	.192**	.083	.223**	.024	1.000
	Sig. (2-tailed)	.005	.234	.001	.728	
	N	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.233[a]	.054	.036	.04574

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.024	4	.006	2.918	.022[a]
	Residual	.427	204	.002		
	Total	.451	208			

a. Predictors: (Constant), TD-Training match with the job , TD- Opportunities to learn & graw, TD-Geting training needed to do job well, TD-Training for promotion

b. Dependent Variable: Transformed ER

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.526	.024		64.315	.000
	TD- Opportunities to learn & graw	.006	.006	.088	.959	.339
	TD-Geting training needed to do job well	-.001	.005	-.021	-.282	.778
	TD-Training for promotion	.008	.004	.175	1.920	.056
	TD-Training match with the job	.000	.004	-.006	-.091	.928

a. Dependent Variable: Transformed ER

Appendix C-1

Hypothesis 3(a)

Provision of performance-based compensation is positively related to higher employee satisfaction.

Correlations

		Transformed ES	CSB-Performance based compensation
Transformed ES	Pearson Correlation	1.000	.439**
	Sig. (2-tailed)		.000
	N	209.000	209
CSB-Performance based compensation	Pearson Correlation	.439**	1.000
	Sig. (2-tailed)	.000	
	N	209	209.000

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.439[a]	.193	.189	.03670

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.067	1	.067	49.552	.000[a]
	Residual	.279	207	.001		
	Total	.345	208			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.441	.009		158.422	.000		
	CSB-Performance based compensation	.022	.003	.439	7.039	.000	1.000	1.000

Appendix C-2

Hypothesis 3(b)

Provision of performance-based compensation is positively related to higher employee commitment.

Correlations

		CSB-Performance based compensation	Transformed EC
CSB-Performance based compensation	Pearson Correlation	1.000	.271**
	Sig. (2-tailed)		.000
	N	209.000	209
Transformed EC	Pearson Correlation	.271**	1.000
	Sig. (2-tailed)	.000	
	N	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.271[a]	.073	.069	.08816

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.127	1	.127	16.355	.000[a]
	Residual	1.609	207	.008		
	Total	1.736	208			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.764	.022		34.981	.000		
	CSB-Performance based compensation	.030	.007	.271	4.044	.000	1.000	1.000

Appendix C-3

Hypothesis 3(c)

Provision of performance-based compensation is positively related to higher employee retention.

Correlations

		CSB-Performance based compensation	Transformed ER
CSB-Performance based compensation	Pearson Correlation	1.000	.205**
	Sig. (2-tailed)		.003
	N	209.000	209
Transformed ER	Pearson Correlation	.205**	1.000
	Sig. (2-tailed)	.003	
	N	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.205[a]	.042	.037	.04570

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.019	1	.019	9.068	.003[a]
	Residual	.432	207	.002		
	Total	.451	208			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.536	.011		135.582	.000		
	CSB-Performance based compensation	.012	.004	.205	3.011	.003	1.000	1.000

Appendix D-1

Hypothesis 4(a):

Provision of compensation and social benefits is positively related to higher employee satisfaction.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.909[a]	.826	.816	.01746

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.285	11	.026	85.094	.000[a]
	Residual	.060	197	.000		
	Total	.345	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.183	.019		62.403	.000
	CBS- Available benefits are appropriate for needs of my family	-.002	.002	-.032	-1.042	.299
	CSB-Health care paid is sufficient	.005	.004	.072	1.380	.169
	CBS- Sufficient amount of vacation	.016	.005	.194	3.437	.001
	CSB-Sufficient amount of sick leave	.037	.003	.486	11.473	.000
	CSB-Equitable external salary	.002	.002	.038	1.129	.260
	CSB-Performance based compensation	.006	.002	.119	3.187	.002
	CBS-Criteria used to decide my pay	.013	.002	.301	7.336	.000
	CBS- Count on earning more money	.004	.002	.053	1.740	.083
	CBS- Salary fair for my tasks & responsibilities	.007	.002	.126	3.130	.002
	CBS - nice working environment	.000	.002	-.010	-.320	.749
	CBS - flexible working hours	-.004	.003	-.050	-1.612	.109

a. Dependent Variable: Transformed ES

Correlations

		CBS-Available benefits are appropriate for needs of my family	CSB-Health care paid is sufficient	CBS-Sufficient amount of vacation	CSB-Sufficient amount of sick leave	CSB-Equitable external salary	CSB-Performance based compensation	CBS-Criteria used to decide my pay	CBS-Count on earning more money	CBS-Salary fair for my tasks & responsibilities	CBS – nice working environment	CBS – flexible working hours	Transformed ES
CBS-Available benefits are appropriate for needs of my family	Pearson Correlation	1.000	-.013	-.046	.004	.052	-.019	.044	-.019	-.007	.125	.035	-.032
	Sig. (2-tailed)		.851	.507	.959	.457	.787	.528	.785	.917	.071	.616	.650
	N	209.000	209	209	209	209	209	209	209	209	209	209	209
CSB-Health care paid is sufficient	Pearson Correlation	-.013	1.000	.721**	.532**	-.093	.454**	.471**	.068	.386**	.028	.106	.710**
	Sig. (2-tailed)	.851		.000	.000	.182	.000	.000	.327	.000	.691	.125	.000
	N	209	209.000	209	209	209	209	209	209	209	209	209	209
CBS-Sufficient amount of vacation	Pearson Correlation	-.046	.721**	1.000	.664**	.143*	.312**	.259**	-.018	.367**	.004	.126	.729**
	Sig. (2-tailed)	.507	.000		.000	.038	.000	.000	.798	.000	.955	.068	.000
	N	209	209	209.000	209	209	209	209	209	209	209	209	209
CSB-Sufficient amount of sick leave	Pearson Correlation	.004	.532**	.664**	1.000	.019	.096	.137*	.003	.081	-.015	.099	.712**
	Sig. (2-tailed)	.959	.000	.000		.785	.168	.048	.969	.241	.825	.155	.000
	N	209	209	209	209.000	209	209	209	209	209	209	209	209
CSB-Equitable external salary	Pearson Correlation	.052	-.093	.143*	.019	1.000	.042	.047	-.081	-.159*	-.049	-.050	.065
	Sig. (2-tailed)	.457	.182	.038	.785		.542	.502	.243	.021	.483	.468	.351
	N	209	209	209	209	209.000	209	209	209	209	209	209	209
CSB-Performance based compensation	Pearson Correlation	-.019	.454**	.312**	.096	.042	1.000	.458**	.125	.368**	.090	.219**	.439**
	Sig. (2-tailed)	.787	.000	.000	.168	.542		.000	.071	.000	.196	.001	.000
	N	209	209	209	209	209	209.000	209	209	209	209	209	209

CBS-Criteria used to decide my pay	Pearson Correlation	.044	.471**	.259**	.137*	.047	.458**	1.000	.105	.528**	-.031	.045	.577**
	Sig. (2-tailed)	.528	.000	.000	.048	.502	.000		.132	.000	.657	.517	.000
	N	209	209	209	209	209	209	209.000	209	209	209	209	209
CBS-Count on earning more money	Pearson Correlation	-.019	.068	-.018	.003	-.081	.125	.105	1.000	-.031	.025	.139*	.089
	Sig. (2-tailed)	.785	.327	.798	.969	.243	.071	.132		.657	.725	.045	.201
	N	209	209	209	209	209	209	209	209.000	209	209	209	209
CBS-Salary fair for my tasks & responsibilities	Pearson Correlation	-.007	.386**	.367**	.081	-.159*	.368**	.528**	-.031	1.000	.056	.040	.457**
	Sig. (2-tailed)	.917	.000	.000	.241	.021	.000	.000	.657		.420	.563	.000
	N	209	209	209	209	209	209	209	209	209.000	209	209	209
CBS - nice working environment	Pearson Correlation	.125	.028	.004	-.015	-.049	.090	-.031	.025	.056	1.000	-.052	-.008
	Sig. (2-tailed)	.071	.691	.955	.825	.483	.196	.657	.725	.420		.455	.910
	N	209	209	209	209	209	209	209	209	209	209.000	209	209
CBS - flexible working hours	Pearson Correlation	.035	.106	.126	.099	-.050	.219**	.045	.139*	.040	-.052	1.000	.079
	Sig. (2-tailed)	.616	.125	.068	.155	.468	.001	.517	.045	.563	.455		.253
	N	209	209	209	209	209	209	209	209	209	209	209.000	209
Transformed ES	Pearson Correlation	-.032	.710**	.729**	.712**	.065	.439**	.577**	.089	.457**	-.008	.079	1.000
	Sig. (2-tailed)	.650	.000	.000	.000	.351	.000	.000	.201	.000	.910	.253	
	N	209	209	209	209	209	209	209	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix D-2

Hypothesis 4(b):

Provision of compensation and social benefits is positively related to higher employee commitment

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.520[a]	.271	.230	.08016

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.470	11	.043	6.654	.000[a]
	Residual	1.266	197	.006		
	Total	1.736	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.586	.087		6.737	.000
	CBS- Available benefits are appropriate for needs of my family	-.004	.009	-.027	-.439	.661
	CSB-Health care paid is sufficient	.023	.017	.146	1.363	.174
	CBS- Sufficient amount of vacation	-.050	.021	-.273	-2.363	.019
	CSB-Sufficient amount of sick leave	.038	.015	.227	2.617	.010
	CSB-Equitable external salary	.039	.009	.321	4.607	.000
	CSB-Performance based compensation	.011	.008	.102	1.339	.182
	CBS-Criteria used to decide my pay	.011	.008	.117	1.390	.166
	CBS- Count on earning more money	-.007	.010	-.039	-.628	.531
	CBS- Salary fair for my tasks & responsibilities	.037	.010	.300	3.651	.000
	CBS - nice working environment	-.009	.009	-.063	-1.008	.315
	CBS - flexible working hours	-.001	.012	-.008	-.122	.903

a. Dependent Variable: Transformed EC

Correlations

		CBS-Available benefits are appropriate for needs of my family	CSB-Health care paid is sufficient	CBS-Sufficient amount of vacation	CSB-Sufficient amount of sick leave	CSB-Equitable external salary	CSB-Performance based compensation	CBS-Criteria used to decide my pay	CBS-Count on earning more money	CBS-Salary fair for my tasks & responsibilities	CBS - nice working environment	CBS - flexible working hours	Transformed EC
CBS-Available benefits are appropriate for needs of my family	Pearson Correlation	1.000	-.013	-.046	.004	.052	-.019	.044	-.019	-.007	.125	.035	-.005
	Sig. (2-tailed)		.851	.507	.959	.457	.787	.528	.785	.917	.071	.616	.937
	N	209.000	209	209	209	209	209	209	209	209	209	209	209
CSB-Health care paid is sufficient	Pearson Correlation	-.013	1.000	.721**	.532**	-.093	.454**	.471**	.068	.386**	.028	.106	.253**
	Sig. (2-tailed)	.851		.000	.000	.182	.000	.000	.327	.000	.691	.125	.000
	N	209	209.000	209	209	209	209	209	209	209	209	209	209
CBS-Sufficient amount of vacation	Pearson Correlation	-.046	.721**	1.000	.664**	.143*	.312**	.259**	-.018	.367**	.004	.126	.202**
	Sig. (2-tailed)	.507	.000		.000	.038	.000	.000	.798	.000	.955	.068	.003
	N	209	209	209.000	209	209	209	209	209	209	209	209	209
CSB-Sufficient amount of sick leave	Pearson Correlation	.004	.532**	.664**	1.000	.019	.096	.137*	.003	.081	-.015	.099	.180**
	Sig. (2-tailed)	.959	.000	.000		.785	.168	.048	.969	.241	.825	.155	.009
	N	209	209	209	209.000	209	209	209	209	209	209	209	209
CSB-Equitable external salary	Pearson Correlation	.052	-.093	.143*	.019	1.000	.042	.047	-.081	-.159*	-.049	-.050	.239**
	Sig. (2-tailed)	.457	.182	.038	.785		.542	.502	.243	.021	.483	.468	.000
	N	209	209	209	209	209.000	209	209	209	209	209	209	209
CSB-Performance based compensation	Pearson Correlation	-.019	.454**	.312**	.096	.042	1.000	.458**	.125	.368**	.090	.219**	.271**
	Sig. (2-tailed)	.787	.000	.000	.168	.542		.000	.071	.000	.196	.001	.000
	N	209	209	209	209	209	209.000	209	209	209	209	209	209

CBS-Criteria used to decide my pay	Pearson Correlation	.044	.471**	.259**	.137*	.047	.458**	1.000	.105	.528**	-.031	.045	.363**
	Sig. (2-tailed)	.528	.000	.000	.048	.502	.000		.132	.000	.657	.517	.000
	N	209	209	209	209	209	209	209.000	209	209	209	209	209
CBS- Count on earning more money	Pearson Correlation	-.019	.068	-.018	.003	-.081	.125	.105	1.000	-.031	.025	.139*	-.036
	Sig. (2-tailed)	.785	.327	.798	.969	.243	.071	.132		.657	.725	.045	.601
	N	209	209	209	209	209	209	209	209.000	209	209	209	209
CBS- Salary fair for my tasks & responsibilities	Pearson Correlation	-.007	.386**	.367**	.081	-.159*	.368**	.528**	-.031	1.000	.056	.040	.321**
	Sig. (2-tailed)	.917	.000	.000	.241	.021	.000	.000	.657		.420	.563	.000
	N	209	209	209	209	209	209	209	209	209.000	209	209	209
CBS - nice working environment	Pearson Correlation	.125	.028	.004	-.015	-.049	.090	-.031	.025	.056	1.000	-.052	-.061
	Sig. (2-tailed)	.071	.691	.955	.825	.483	.196	.657	.725	.420		.455	.384
	N	209	209	209	209	209	209	209	209	209	209.000	209	209
CBS - flexible working hours	Pearson Correlation	.035	.106	.126	.099	-.050	.219**	.045	.139*	.040	-.052	1.000	.016
	Sig. (2-tailed)	.616	.125	.068	.155	.468	.001	.517	.045	.563	.455		.817
	N	209	209	209	209	209	209	209	209	209	209	209.000	209
Transformed EC	Pearson Correlation	-.005	.253**	.202**	.180**	.239**	.271**	.363**	-.036	.321**	-.061	.016	1.000
	Sig. (2-tailed)	.937	.000	.003	.009	.000	.000	.000	.601	.000	.384	.817	
	N	209	209	209	209	209	209	209	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix D-3

Hypothesis 4(c):

Provision of compensation and social benefits (CSB) is positively related to higher employee retention(ER).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.482[a]	.232	.189	.04194

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.105	11	.010	5.415	.000[a]
	Residual	.347	197	.002		
	Total	.451	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.471	.046		32.311	.000
	CBS- Available benefits are appropriate for needs of my family	-.009	.005	-.124	-1.943	.053
	CSB-Health care paid is sufficient	.001	.009	.013	.114	.909
	CBS- Sufficient amount of vacation	.008	.011	.089	.748	.455
	CSB-Sufficient amount of sick leave	.016	.008	.189	2.121	.035
	CSB-Equitable external salary	.008	.004	.128	1.787	.075
	CSB-Performance based compensation	.004	.004	.063	.801	.424
	CBS-Criteria used to decide my pay	.010	.004	.214	2.480	.014
	CBS- Count on earning more money	-.017	.005	-.203	-3.155	.002
	CBS- Salary fair for my tasks & responsibilities	.000	.005	.004	.052	.959
	CBS - nice working environment	.004	.005	.054	.839	.402
	CBS - flexible working hours	.002	.006	.019	.287	.774

a. Dependent Variable: Transformed ER

Correlations

		CBS-Available benefits are appropriate for needs of my family	CSB-Health care paid is sufficient	CBS-Sufficient amount of vacation	CSB-Sufficient amount of sick leave	CSB-Equitable external salary	CSB-Performance based compensation	CBS-Criteria used to decide my pay	CBS-Count on earning more money	CBS-Salary fair for my tasks & responsibilities	CBS - nice working environment	CBS - flexible working hours	Transformed ER
CBS-Available benefits are appropriate for needs of my family	Pearson Correlation	1.000	-.013	-.046	.004	.052	-.019	.044	-.019	-.007	.125	.035	-.101
	Sig. (2-tailed)		.851	.507	.959	.457	.787	.528	.785	.917	.071	.616	.145
	N	209.000	209	209	209	209	209	209	209	209	209	209	209
CSB-Health care paid is sufficient	Pearson Correlation	-.013	1.000	.721**	.532**	-.093	.454**	.471**	.068	.386**	.028	.106	.287**
	Sig. (2-tailed)	.851		.000	.000	.182	.000	.000	.327	.000	.691	.125	.000
	N	209	209.000	209	209	209	209	209	209	209	209	209	209
CBS-Sufficient amount of vacation	Pearson Correlation	-.046	.721**	1.000	.664**	.143*	.312**	.259**	-.018	.367**	.004	.126	.330**
	Sig. (2-tailed)	.507	.000		.000	.038	.000	.000	.798	.000	.955	.068	.000
	N	209	209	209.000	209	209	209	209	209	209	209	209	209
CSB-Sufficient amount of sick leave	Pearson Correlation	.004	.532**	.664**	1.000	.019	.096	.137*	.003	.081	-.015	.099	.292**
	Sig. (2-tailed)	.959	.000	.000		.785	.168	.048	.969	.241	.825	.155	.000
	N	209	209	209	209.000	209	209	209	209	209	209	209	209
CSB-Equitable external salary	Pearson Correlation	.052	-.093	.143*	.019	1.000	.042	.047	-.081	-.159*	-.049	-.050	.161*
	Sig. (2-tailed)	.457	.182	.038	.785		.542	.502	.243	.021	.483	.468	.020
	N	209	209	209	209	209.000	209	209	209	209	209	209	209
CSB-Performance based compensation	Pearson Correlation	-.019	.454**	.312**	.096	.042	1.000	.458**	.125	.368**	.090	.219**	.205**
	Sig. (2-tailed)	.787	.000	.000	.168	.542		.000	.071	.000	.196	.001	.003
	N	209	209	209	209	209	209.000	209	209	209	209	209	209
CBS-Criteria used to decide my pay	Pearson Correlation	.044	.471**	.259**	.137*	.047	.458**	1.000	.105	.528**	-.031	.045	.278**
	Sig. (2-tailed)	.528	.000	.000	.048	.502	.000		.132	.000	.657	.517	.000
	N	209	209	209	209	209	209	209.000	209	209	209	209	209
CBS- Count on earning more money	Pearson Correlation	-.019	.068	-.018	.003	-.081	.125	.105	1.000	-.031	.025	.139*	-.177*
	Sig. (2-tailed)	.785	.327	.798	.969	.243	.071	.132		.657	.725	.045	.010
	N	209	209	209	209	209	209	209	209.000	209	209	209	209

CBS- Salary fair for my tasks & responsibilities	Pearson Correlation	-.007	.386**	.367**	.081	-.159*	.368**	.528**	-.031	1.000	.056	.040	.184**
	Sig. (2-tailed)	.917	.000	.000	.241	.021	.000	.000	.657		.420	.563	.008
	N	209	209	209	209	209	209	209	209	209.000	209	209	209
CBS - nice working environment	Pearson Correlation	.125	.028	.004	-.015	-.049	.090	-.031	.025	.056	1.000	-.052	.023
	Sig. (2-tailed)	.071	.691	.955	.825	.483	.196	.657	.725	.420		.455	.740
	N	209	209	209	209	209	209	209	209	209	209.000	209	209
CBS - flexible working hours	Pearson Correlation	.035	.106	.126	.099	-.050	.219**	.045	.139*	.040	-.052	1.000	.032
	Sig. (2-tailed)	.616	.125	.068	.155	.468	.001	.517	.045	.563	.455		.647
	N	209	209	209	209	209	209	209	209	209	209	209.000	209
Transformed ER	Pearson Correlation	-.101	.287**	.330**	.292**	.161*	.205**	.278**	-.177*	.184**	.023	.032	1.000
	Sig. (2-tailed)	.145	.000	.000	.000	.020	.003	.000	.010	.008	.740	.647	
	N	209	209	209	209	209	209	209	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix E-1

Hypothesis 5a:

Performance evaluation of employees is positively related to higher employee satisfaction.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.552[a]	.305	.288	.03439

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.105	5	.021	17.833	.000[a]
	Residual	.240	203	.001		
	Total	.345	208			

b. Dependent Variable: Transformed ES

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.354	.022		62.658	.000
	PA-fair performance appraisal	.033	.005	.628	6.585	.000
	PA-written & formal performance appraisal	-.005	.003	-.115	-1.535	.126
	PA-understanding of how my performance is evaluated	.012	.008	.136	1.568	.118
	PA- Receive feedback of performance evaluation results	-.015	.005	-.263	-2.786	.006
	PA- PA is done by the supervisor	.013	.006	.179	2.034	.043

a. Dependent Variable: Transformed ES

Correlations

		PA- fair performance appraisal	PA- written & formal performance appraisal	PA- understanding of how my performance is evaluated	PA- Receive feedback of performanc e evaluation results	PA- PA is done by the supervisor	Transformed ES
PA-fair performance appraisal	Pearson Correlation	1.000	.623**	.427**	.685**	.330**	.494**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	209.000	209	209	209	209	209
PA-written & formal performance appraisal	Pearson Correlation	.623**	1.000	.296**	.396**	.201**	.249**
	Sig. (2-tailed)	.000		.000	.000	.004	.000
	N	209	209.000	209	209	209	209
PA-understanding of how my performance is evaluated	Pearson Correlation	.427**	.296**	1.000	.563**	.705**	.349**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	209	209	209.000	209	209	209
PA- Receive feedback of performance evaluation results	Pearson Correlation	.685**	.396**	.563**	1.000	.578**	.303**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	209	209	209	209.000	209	209
PA- PA is done by the supervisor	Pearson Correlation	.330**	.201**	.705**	.578**	1.000	.308**
	Sig. (2-tailed)	.000	.004	.000	.000		.000
	N	209	209	209	209	209.000	209
Transformed ES	Pearson Correlation	.494**	.249**	.349**	.303**	.308**	1.000
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	209	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix E-2

Hypothesis 5b:

Performance evaluation of employees is positively related to higher employee commitment.

Correlations

		PA- fair performance appraisal	PA- written & formal performance appraisal	PA- understanding of how my performance is evaluated	PA- Receive feedback of performance evaluation results	PA- PA is done by the supervisor	Transformed EC
PA-fair performance appraisal	Pearson Correlation	1.000	.623**	.427**	.685**	.330**	.211**
	Sig. (2-tailed)		.000	.000	.000	.000	.002
	N	209.000	209	209	209	209	209
PA-written & formal performance appraisal	Pearson Correlation	.623**	1.000	.296**	.396**	.201**	.060
	Sig. (2-tailed)	.000		.000	.000	.004	.392
	N	209	209.000	209	209	209	209
PA-understanding of how my performance is evaluated	Pearson Correlation	.427**	.296**	1.000	.563**	.705**	-.082
	Sig. (2-tailed)	.000	.000		.000	.000	.238
	N	209	209	209.000	209	209	209
PA- Receive feedback of performance evaluation results	Pearson Correlation	.685**	.396**	.563**	1.000	.578**	.157*
	Sig. (2-tailed)	.000	.000	.000		.000	.023
	N	209	209	209	209.000	209	209
PA- PA is done by the supervisor	Pearson Correlation	.330**	.201**	.705**	.578**	1.000	-.040
	Sig. (2-tailed)	.000	.004	.000	.000		.569
	N	209	209	209	209	209.000	209
Transformed EC	Pearson Correlation	.211**	.060	-.082	.157*	-.040	1.000
	Sig. (2-tailed)	.002	.392	.238	.023	.569	
	N	209	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.313[a]	.098	.076	.08783

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.170	5	.034	4.415	.001[a]
	Residual	1.566	203	.008		
	Total	1.736	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.904	.055		16.380	.000
	PA-fair performance appraisal	.032	.013	.271	2.496	.013
	PA-written & formal performance appraisal	-.009	.008	-.098	-1.141	.255
	PA-understanding of how my performance is evaluated	-.047	.020	-.234	-2.357	.019
	PA- Receive feedback of performance evaluation results	.021	.013	.165	1.538	.126
	PA- PA is done by the supervisor	-.007	.017	-.040	-.401	.689

a. Dependent Variable: Transformed EC

Appendix E-3

Hypothesis 5c:

Performance evaluation of employees is positively related to higher employee retention.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.418[a]	.175	.154	.04283

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.079	5	.016	8.594	.000[a]
	Residual	.372	203	.002		
	Total	.451	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.474	.027		54.758	.000
	PA-fair performance appraisal	.008	.006	.135	1.296	.196
	PA-written & formal performance appraisal	-.002	.004	-.033	-.397	.692
	PA-understanding of how my performance is evaluated	.031	.010	.302	3.184	.002
	PA- Receive feedback of performance evaluation results	.017	.007	.261	2.539	.012
	PA- PA is done by the supervisor	-.028	.008	-.339	-3.523	.001

a. Dependent Variable: Transformed ER

Correlations

		PA- fair performance appraisal	PA- written & formal performance appraisal	PA- understanding of how my performance is evaluated	PA- Receive feedback of performance evaluation results	PA- PA is done by the supervisor	Transformed ER
PA-fair performance appraisal	Pearson Correlation	1.000	.623**	.427**	.685**	.330**	.310**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	209.000	209	209	209	209	209
PA-written & formal performance appraisal	Pearson Correlation	.623**	1.000	.296**	.396**	.201**	.176*
	Sig. (2-tailed)	.000		.000	.000	.004	.011
	N	209	209.000	209	209	209	209
PA-understanding of how my performance is evaluated	Pearson Correlation	.427**	.296**	1.000	.563**	.705**	.258**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	209	209	209.000	209	209	209
PA- Receive feedback of performance evaluation results	Pearson Correlation	.685**	.396**	.563**	1.000	.578**	.315**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	209	209	209	209.000	209	209
PA- PA is done by the supervisor	Pearson Correlation	.330**	.201**	.705**	.578**	1.000	.063
	Sig. (2-tailed)	.000	.004	.000	.000		.366
	N	209	209	209	209	209.000	209
Transformed ER	Pearson Correlation	.310**	.176*	.258**	.315**	.063	1.000
	Sig. (2-tailed)	.000	.011	.000	.000	.366	
	N	209	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix F-1

Hypothesis 6(a):

Employee involvement in decision making is positively related to higher employee satisfaction

Correlations

		Transformed ES	EC-participation for decision making
Transformed ES	Pearson Correlation	1.000	.496**
	Sig. (2-tailed)		.000
	N	209.000	209
EC-participation for decision making	Pearson Correlation	.496**	1.000
	Sig. (2-tailed)	.000	
	N	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.496[a]	.246	.243	.03547

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.085	1	.085	67.640	.000[a]
	Residual	.260	207	.001		
	Total	.345	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.415	.011		129.946	.000
	EC-participation for decision making	.025	.003	.496	8.224	.000

Appendix F-2

Hypothesis 6(b):

Employee involvement in decision making is positively related to higher employee commitment.

Correlations

		EC-participation for decision making	Transformed EC
EC-participation for decision making	Pearson Correlation	1.000	.880**
	Sig. (2-tailed)		.000
	N	209.000	209
Transformed EC	Pearson Correlation	.880**	1.000
	Sig. (2-tailed)	.000	
	N	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.880[a]	.774	.773	.04356

a. Predictors: (Constant), EC-participation for decision making

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.343	1	1.343	707.926	.000[a]
	Residual	.393	207	.002		
	Total	1.736	208			

a. Predictors: (Constant), EC-participation for decision making

b. Dependent Variable: Transformed EC

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.503	.013		37.572	.000
	EC-participation for decision making	.099	.004	.880	26.607	.000

a. Dependent Variable: Transformed EC

Appendix F-3

Hypothesis 6(c):

Employee involvement in decision making is positively related to higher employee retention.

Correlations

		EC-participation for decision making	Transformed ER
EC-participation for decision making	Pearson Correlation	1.000	.234**
	Sig. (2-tailed)		.001
	N	209.000	209
Transformed ER	Pearson Correlation	.234**	1.000
	Sig. (2-tailed)	.001	
	N	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.234[a]	.055	.050	.04539

a. Predictors: (Constant), EC-participation for decision making

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.025	1	.025	12.025	.001[a]
	Residual	.427	207	.002		
	Total	.451	208			

a. Predictors: (Constant), EC-participation for decision making

b. Dependent Variable: Transformed ER

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.521	.014		109.163	.000
	EC-participation for decision making	.013	.004	.234	3.468	.001

a. Dependent Variable: Transformed ER

Appendix G-1

Hypothesis 7(a):

Well-functioning grievances handling system is positively related to higher employee satisfaction.

Correlations

		GH-Clear & formal procedures for GH	GH-Supervisor handles work-related issues satisfactorily	GH-Availablility of supervisor	GH-supervisor delegates work effectively	Transformed ES
GH-Clear & formal procedures for GH	Pearson Correlation	1.000	.621**	.666**	.653**	-.020
	Sig. (2-tailed)		.000	.000	.000	.771
	N	209.000	209	209	209	209
GH-Supervisor handles work-related issues satisfactorily	Pearson Correlation	.621**	1.000	.813**	.813**	-.049
	Sig. (2-tailed)	.000		.000	.000	.484
	N	209	209.000	209	209	209
GH-Availablility of supervisor	Pearson Correlation	.666**	.813**	1.000	.821**	-.012
	Sig. (2-tailed)	.000	.000		.000	.864
	N	209	209	209.000	209	209
GH-supervisor delegates work effectively	Pearson Correlation	.653**	.813**	.821**	1.000	-.127
	Sig. (2-tailed)	.000	.000	.000		.068
	N	209	209	209	209.000	209
Transformed ES	Pearson Correlation	-.020	-.049	-.012	-.127	1.000
	Sig. (2-tailed)	.771	.484	.864	.068	
	N	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.209[a]	.044	.025	.04024

a. Predictors: (Constant), GH-supervisor delegates work effectively, GH-Clear & formal procedures for GH, GH-Supervisor handles work-related issues satisfactorily, GH-Availablility of supervisor

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.015	4	.004	2.338	.057[a]
	Residual	.330	204	.002		
	Total	.345	208			

a. Predictors: (Constant), GH-supervisor delegates work effectively, GH-Clear & formal procedures for GH, GH-Supervisor handles work-related issues satisfactorily, GH-Availablility of supervisor

b. Dependent Variable: Transformed ES

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.510	.014		110.767	.000
	GH-Clear & formal procedures for GH	.002	.004	.047	.492	.624
	GH-Supervisor handles work-related issues satisfactorily	.003	.008	.043	.325	.745
	GH-Availablility of supervisor	.012	.007	.245	1.785	.076
	GH-supervisor delegates work effectively	-.018	.006	-.393	-2.892	.004

a. Dependent Variable: Transformed ES

Appendix G-2

Hypothesis 7(b):

Well-functioning grievances handling system is positively related to higher employee commitment

Correlations

		GH-Clear & formal procedures for GH	GH-Supervisor handles work-related issues satisfactorily	GH-Availability of supervisor	GH-supervisor delegates work effectively	Transformed EC
GH-Clear & formal procedures for GH	Pearson Correlation	1.000	.621**	.666**	.653**	-.039
	Sig. (2-tailed)		.000	.000	.000	.575
	N	209.000	209	209	209	209
GH-Supervisor handles work-related issues satisfactorily	Pearson Correlation	.621**	1.000	.813**	.813**	-.101
	Sig. (2-tailed)	.000		.000	.000	.147
	N	209	209.000	209	209	209
GH-Availablility of supervisor	Pearson Correlation	.666**	.813**	1.000	.821**	-.130
	Sig. (2-tailed)	.000	.000		.000	.060
	N	209	209	209.000	209	209
GH-supervisor delegates work effectively	Pearson Correlation	.653**	.813**	.821**	1.000	-.193**
	Sig. (2-tailed)	.000	.000	.000		.005
	N	209	209	209	209.000	209
Transformed EC	Pearson Correlation	-.039	-.101	-.130	-.193**	1.000
	Sig. (2-tailed)	.575	.147	.060	.005	
	N	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.237[a]	.056	.038	.08962

a. Predictors: (Constant), GH-supervisor delegates work effectively, GH-Clear & formal procedures for GH, GH-Supervisor handles work-related issues satisfactorily, GH-Availability of supervisor

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.098	4	.024	3.044	.018[a]
	Residual	1.638	204	.008		
	Total	1.736	208			

a. Predictors: (Constant), GH-supervisor delegates work effectively, GH-Clear & formal procedures for GH, GH-Supervisor handles work-related issues satisfactorily, GH-Availablility of supervisor

b. Dependent Variable: Transformed EC

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.884	.030		29.105	.000
	GH-Clear & formal procedures for GH	.014	.010	.137	1.446	.150
	GH-Supervisor handles work-related issues satisfactorily	.019	.017	.143	1.098	.273
	GH-Availablility of supervisor	-.003	.015	-.032	-.234	.815
	GH-supervisor delegates work effectively	-.039	.014	-.373	-2.757	.006

a. Dependent Variable: Transformed EC

Appendix G-3

Hypothesis 7(c):

Well-functioning grievances handling system is positively related to higher employee retention.

Correlations

		GH-Clear & formal procedures for GH	GH-Supervisor handles work-related issues satisfactorily	GH-Availablility of supervisor	GH-supervisor delegates work effectively	Transformed ER
GH-Clear & formal procedures for GH	Pearson Correlation	1.000	.621**	.666**	.653**	-.101
	Sig. (2-tailed)		.000	.000	.000	.144
	N	209.000	209	209	209	209
GH-Supervisor handles work-related issues satisfactorily	Pearson Correlation	.621**	1.000	.813**	.813**	-.117
	Sig. (2-tailed)	.000		.000	.000	.092
	N	209	209.000	209	209	209
GH-Availablility of supervisor	Pearson Correlation	.666**	.813**	1.000	.821**	-.111
	Sig. (2-tailed)	.000	.000		.000	.108
	N	209	209	209.000	209	209
GH-supervisor delegates work effectively	Pearson Correlation	.653**	.813**	.821**	1.000	-.152*
	Sig. (2-tailed)	.000	.000	.000		.028
	N	209	209	209	209.000	209
Transformed ER	Pearson Correlation	-.101	-.117	-.111	-.152*	1.000
	Sig. (2-tailed)	.144	.092	.108	.028	
	N	209	209	209	209	209.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.154[a]	.024	.005	.04647

a. Predictors: (Constant), GH-supervisor delegates work effectively, GH-Clear & formal procedures for GH, GH-Supervisor handles work-related issues satisfactorily, GH-Availablility of supervisor

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	4	.003	1.236	.297[a]
	Residual	.441	204	.002		
	Total	.451	208			

a. Predictors: (Constant), GH-supervisor delegates work effectively, GH-Clear & formal procedures for GH, GH-Supervisor handles work-related issues satisfactorily, GH-Availablility of supervisor

b. Dependent Variable: Transformed ER

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.595	.016		101.267	.000
	GH-Clear & formal procedures for GH	.000	.005	-.015	-.153	.878
	GH-Supervisor handles work-related issues satisfactorily	.000	.009	.004	.027	.979
	GH-Availablility of supervisor	.003	.008	.045	.323	.747
	GH-supervisor delegates work effectively	-.010	.007	-.182	-1.323	.187

a. Dependent Variable: Transformed ER

Appendix H-1

Hypothesis 8(a):

A higher intensity of using pre-specified bundle of HRM practices is positively related to better employee satisfaction.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796[a]	.634	.623	.02503

a. Predictors: (Constant), Transformed GH, tranformed RS, Transformed PA, Transformed PR, Transformed CSB, Transformed TD

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.219	6	.036	58.242	.000[a]
	Residual	.127	202	.001		
	Total	.345	208			

a. Predictors: (Constant), Transformed GH, tranformed RS, Transformed PA, Transformed PR, Transformed CSB, Transformed TD

b. Dependent Variable: Transformed ES

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.026	.095		.269	.789
	Transformed TD	.088	.027	.151	3.193	.002
	tranformed RS	.080	.030	.120	2.641	.009
	Transformed PA	.117	.024	.221	4.956	.000
	Transformed PR	-.015	.038	-.017	-.399	.690
	Transformed CSB	.723	.052	.655	13.874	.000
	Transformed GH	-.015	.016	-.042	-.980	.328

a. Dependent Variable: Transformed ES

Appendix H-2

Hypothesis 8b:

A higher intensity of using pre-specified bundle of HRM practices is positively related to better employee commitment.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.555[a]	.308	.288	.07710

a. Predictors: (Constant), Transformed GH, tranformed RS, Transformed PA, Transformed PR, Transformed CSB, Transformed TD

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.535	6	.089	15.005	.000[a]
	Residual	1.201	202	.006		
	Total	1.736	208			

a. Predictors: (Constant), Transformed GH, tranformed RS, Transformed PA, Transformed PR, Transformed CSB, Transformed TD

b. Dependent Variable: Transformed EC

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.289	.293		-4.401	.000
	Transformed TD	.262	.084	.202	3.100	.002
	tranformed RS	.386	.093	.261	4.158	.000
	Transformed PA	-.071	.073	-.060	-.977	.330
	Transformed PR	.092	.116	.047	.790	.431
	Transformed CSB	.891	.161	.360	5.546	.000
	Transformed GH	-.113	.048	-.140	-2.363	.019

a. Dependent Variable: Transformed EC

Appendix H-3

Hypothesis 8c

A higher intensity of using pre-specified bundle of HRM practices is positively related to better employee retention.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.421[a]	.178	.153	.04287

a. Predictors: (Constant), Transformed GH, tranformed RS, Transformed PA, Transformed PR, Transformed CSB, Transformed TD

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.080	6	.013	7.265	.000[a]
	Residual	.371	202	.002		
	Total	.451	208			

a. Predictors: (Constant), Transformed GH, tranformed RS, Transformed PA, Transformed PR, Transformed CSB, Transformed TD

b. Dependent Variable: Transformed ER

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.812	.163		4.986	.000
	Transformed TD	.079	.047	.119	1.675	.096
	Transformed RS	.072	.052	.096	1.405	.162
	Transformed PA	.132	.041	.218	3.253	.001
	Transformed PR	-.016	.064	-.017	-.256	.798
	Transformed CSB	.292	.089	.231	3.269	.001
	Transformed GH	-.041	.027	-.100	-1.544	.124

a. Dependent Variable: Transformed ER

Appendix I-1

Results of regression analysis for employee satisfaction when accounting for six HRM practices and demographics

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847[a]	.718	.696	.02246

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.248	15	.017	32.794	.000[a]
	Residual	.097	193	.001		
	Total	.345	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.282	.102		2.765	.006
	Transformed RS	.086	.032	.130	2.654	.009
	Transformed TD	.021	.029	.035	.697	.486
	Transformed PA	.112	.024	.211	4.663	.000
	Transformed PR	-.004	.035	-.005	-.126	.900
	Transformed CSB	.607	.053	.550	11.528	.000
	Transformed GH	-.020	.015	-.055	-1.351	.178
	Women	.003	.004	.034	.696	.487
	unmarried	-.012	.006	-.100	-2.107	.036
	21-30 age group	-.008	.006	-.069	-1.252	.212
	31-40 age group	-.006	.005	-.067	-1.177	.241
	41-50 age group	-.006	.005	-.067	-1.166	.245
	under 21 age group	.011	.009	.051	1.194	.234
	GCE O/L	.004	.004	.052	1.096	.275
	Degree	.033	.010	.162	3.377	.001
	Diplomas	-.020	.005	-.192	-4.173	.000

a. Dependent Variable: Transformed ES

Appendix I-2

Results of regression analysis for employee commitment when accounting for six HRM practices and demographics

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.649[a]	.421	.376	.07216

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.731	15	.049	9.362	.000[a]
	Residual	1.005	193	.005		
	Total	1.736	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.585	.328		-1.784	.076
	tranformed RS	.427	.104	.288	4.091	.000
	Transformed TD	.116	.095	.090	1.229	.221
	Transformed PA	-.087	.077	-.073	-1.127	.261
	Transformed PR	.127	.111	.066	1.142	.255
	Transformed CSB	.509	.169	.206	3.008	.003
	Transformed GH	-.140	.047	-.173	-2.984	.003
	Women	.016	.013	.085	1.230	.220
	unmarried	-.043	.018	-.160	-2.349	.020
	21-30 age group	-.007	.019	-.028	-.354	.724
	31-40 age group	.023	.017	.113	1.382	.168
	41-50 age group	-.003	.016	-.017	-.211	.833
	under 21 age group	.033	.029	.069	1.132	.259
	GCE O/L	.037	.013	.200	2.926	.004
	Degree	.075	.031	.167	2.424	.016
	Diplomas	-.020	.015	-.087	-1.324	.187

a. Dependent Variable: Transformed EC

Appendix I-3

Results of regression analysis for employee retention when accounting for six HRM practices and demographics

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.507[a]	.258	.200	.04167

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.116	15	.008	4.463	.000[a]
	Residual	.335	193	.002		
	Total	.451	208			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.118	.189		5.909	.000
	Transformed RS	-.008	.060	-.010	-.130	.897
	Transformed TD	.078	.055	.117	1.422	.157
	Transformed PA	.092	.045	.152	2.062	.041
	Transformed PR	-.008	.064	-.008	-.122	.903
	Transformed CSB	.185	.098	.147	1.894	.060
	Transformed GH	-.040	.027	-.097	-1.478	.141
	Women	.022	.007	.232	2.962	.003
	unmarried	.021	.011	.157	2.040	.043
	21-30 age group	-.013	.011	-.105	-1.177	.240
	31-40 age group	-.004	.010	-.039	-.425	.671
	41-50 age group	-.004	.009	-.044	-.474	.636
	under 21 age group	.001	.017	.003	.047	.963
	GCE O/L	.008	.007	.086	1.119	.264
	Degree	.037	.018	.162	2.073	.040
	Diplomas	-.003	.009	-.023	-.305	.760

a. Dependent Variable: Transformed ER

Appendix J

Analysis of General information

- **Results of gender analysis**

N	Valid	209
	Missing	0
Mode		2

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	97	46.4	46.4	46.4
	Male	112	53.6	53.6	100.0
	Total	209	100.0	100.0	

- **Results of age analysis**

N	Valid	209
	Missing	0
Mean		4.11
Median		4.00
Mode		4

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21 - 30	16	7.7	7.7	7.7
	31 - 40	21	10.0	10.0	17.7
	41 - 50	97	46.4	46.4	64.1
	51 or older	75	35.9	35.9	100.0
	Total	209	100.0	100.0	

- **Results of Marital Status analysis**

N	Valid	209
	Missing	0
Mean		1.13
Mode		1

Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	181	86.6	86.6	86.6
	unmarried	28	13.4	13.4	100.0
	Total	209	100.0	100.0	

- **Results of Education qualification**

N	Valid	209
	Missing	0
Mean		1.82
Mode		2

Education qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	GCE O/L	88	42.1	42.1	42.1
	GCE A/L	91	43.5	43.5	85.6
	Degree	9	4.3	4.3	90.0
	Diplomas	21	10.0	10.0	100.0
	Total	209	100.0	100.0	

- **Results of Service Period**

N	Valid	209
	Missing	0
Mean		4.60
Mode		5

Service period

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 2	11	5.3	5.3	5.3
	3 -5	16	7.7	7.7	12.9
	6 -10	18	8.6	8.6	21.5
	More than 10 years	164	78.5	78.5	100.0
	Total	209	100.0	100.0	

Appendix K-1

Questionnaire for employees

A survey on impact of HRM practices on organizational performance

Dear Respondent,

I am a master student of University of Agder in Norway and am conducting a study on "Impact of human resource management practices on organizational performance of public sector banks in Sri Lanka". These questions pertain to your experience in your current job and organization. Your answers will be kept strictly confidential and will only be used for this research purpose. Your name will not be mentioned anywhere on the document so kindly provide an impartial opinion to make research successful.

Section: 1

1) What is your designation? _____

2) What is your age?

Under 21	
21 - 30	
31 - 40	
41 - 50	
51 or older	

3) What is your gender?

Male	
Female	

4) What is your marital status?

Married	
Un-married	

5) What is your highest education qualification?

GCE O/L	
GCE A/L	
Degree.	
Diplomas	
Professional qualifications (CIMA, etc.)	
Postgraduate	

6) How long have you worked for the present company?

Less than one year	
1 – 2	
3 -5	
6 -10	
More than ten years	

Section: 2

Please tick (√) one cell for each statement

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Selection & Recruitment 7) Applicants are fully informed about the qualifications required to perform the job before being hired					
8) Applicants undergo a medical test before being hired					
9) Vacancies are filled from qualified employees who are working in the bank					
10) Applicants undergo structured interviews (job related questions, same questions asked of all applicants) before being hired.					

11) Applicants for this job take formal test (written or work sample) for selecting applicants for vacancies					
12) Job advertisements in newspapers are used by the bank to recruit people					
Training & Development practices 13) I have training opportunities to learn and grow					
14) I get training I need to do my job well					
15) I get the training from the bank for my next promotion					
16) Available training match with my job					
Performance evaluation practices 17) The performance appraisal is fair					
18) There is a formal & written performance Appraisal system					
19) I am informed that how my performance is evaluated					
20) I receive feed back of performance evaluation results about myself					
21) PA is done by the supervisor					
Promotion Practices 22) Bank has a written promotion policy					
23) Job promotions are fair and equitable					
24) Priority is given for seniority in promotion decision					
25) Priority is given for merit in promotion decisions					
Compensation & Social benefits 26) Available benefits are appropriate for my needs					

27) Amount of health care paid is sufficient					
28) Amount of vacation is sufficient					
29) Amount of sick leave is sufficient					
30) The bank provide equitable external salary					
31) Provide performance based compensation					
32) I know the criteria used to decide my pay					
33) If I do work well, I can count on earning more money (bonuses & commissions)					
34) My salary is fair for my tasks, duties and responsibilities of my job					
35) The bank provide a nice work environment					
36) The bank provides flexible work hours to accommodate my personal needs					
Grievances handling system 37) There are formal procedures for handling grievances					
38) My supervisor handles my work-related issues satisfactorily					
39) My supervisor is available to me when I have questions or need help					
40) My supervisor delegates work effectively					
Employee satisfaction/ Motivation 41) I am happy with assistance given by the bank in terms of money, leave, subscriptions					
42) I am happy with bank's assistance for housing (ex. Loans)					
43) The bank provides comfortable working environment (space, light, seating arrangement, air condition ,etc)					

44) I am satisfied with the value of increment in pay					
45) I feel I am valued at the bank					
46) The bank gives enough recognition for well done work					
47) I am happy with my salary					
48) Sick leave policy is satisfactory					
Employee Retention 49) I really care about the fate of this bank					
50) I talk of this bank to my friends as a great organization to work					
51) I feel very little loyalty to this bank					
52) I find that my values and the bank's value are very similar.					
53) I do not have any intention to resign from the bank within a shorter time.					
54) This is the best of all possible organizations for work					
55) Whenever I get a job in another organization, definitely I leave					
56) I am searching for a better job in a better organization at the moment					
57) I am not fed up with working in this bank					
Employee commitment 58) I feel comfortable expressing my views/ suggestions at branch meetings					
59) Employees in this bank are involved in formal participation processes such as problem-solving groups, decision making.					

Thank you for your kind co-operation

R.R.N.T.Rathnaweera

Appendix K-2

Questionnaire for HR manager

Please tick one cell for each statement.

1) Bank performance

How would you compare the bank's performance for each year (2006, 2007, 2008, and 2009)?

Performance Indicators	2006				
	Very bad	Bad	Neutral	Good	Very good
Profitability Ratio					
I ROE (Return on equity)					
II ROA (Return on average assets)					
III NIM (Net interest margin)					
Employee Productivity					
I Profit per employee					
II Income per employee					
Operating Results					
I Gross Income					
II Income growth (%)					

Performance Indicators	2007				
	Very bad	Bad	Neutral	Good	Very good
Profitability Ratio					
I ROE (Return on equity)					
II ROA (Return on average assets)					
III NIM (Net interest margin)					
Employee Productivity					
I Profit per employee					
II Income per employee					
Operating Results					
I Gross Income					
II Income growth (%)					

Performance Indicators	2008				
	Very bad	Bad	Neutral	Good	Very good
Profitability Ratio					
I ROE (Return on equity)					
II ROA (Return on average assets)					
III NIM (Net interest margin)					
Employee Productivity					
I Profit per employee					
II Income per employee					
Operating Results					
I Gross Income					
II Income growth (%)					

Performance Indicators	2009				
	Very bad	Bad	Neutral	Good	Very good
Profitability Ratio					
I ROE (Return on equity)					
II ROA (Return on average assets)					
III NIM (Net interest margin)					
Employee Productivity					
I Profit per employee					
II Income per employee					
Operating Results					
I Gross Income					
II Income growth (%)					

2) HRM practices

Staffing selectivity (for non managerial positions)

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I Job advertisements in news papers are used to recruit applicants for the bank					
II Vacancies are filled by friends and family members of current employees					
III Applicants undergo structured interviews (job related questions, same questions asked of all applicants) before being hired					
IV Applicants for this bank take formal tests (paper and pen or work sample) before being hired					

Training effectiveness

2006	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I In the year 2006, did the bank provide employees with formal job training, either on or off the premises					

2007	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I In the year 2007, did the bank provide employees with formal job training, either on or off the premises					

2008	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I In the year 2008, did the bank provide employees with formal job training, either on or off the premises					

2009	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I In the year 2009, did the bank provide employees with formal job training, either on or off the premises					

Compensation

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I Pay raises for employees in the bank are based on job performance					
II Non managerial employees in the bank have the opportunity to earn individual bonuses (or commissions) for their performance					

Promotion practices

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I Employee merit is the basis for promotion rather than seniority					

Performance evaluation

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I Employees in this bank regularly (at least once a year) receive a formal evaluation of their performance.					
II Employees are provided feed back of performance evaluation results					
III The supervisor does the performance evaluation himself					

Employee Participation

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
II Employees in this bank are involved in formal participation processes such as problem-solving groups and decision making					

Grievances handling

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I There is a formal procedure for resolving disputes/grievances between employees and their supervisors or coworkers					